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CANADA AT WAR

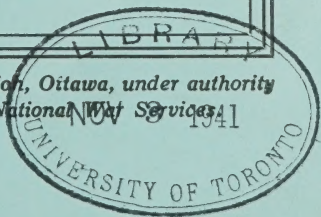
A Summary of CANADA'S PART IN THE WAR

Revised to October 1st, 1941

THIS booklet is intended to serve as source material for speakers and for those who desire up-to-date information about Canada's participation in the war. It is revised and issued monthly and contains the most recent available facts and figures.

Further copies of the booklet may be obtained by writing to the Director of Public Information, Ottawa. Those who wish to be placed on a mailing list to receive the booklet monthly should apply to the Director.

Issued by the Director of Public Information, Ottawa, under authority of the Hon. J. T. Thorson, Minister of National War Services.





SOME SALIENT FEATURES OF CANADA'S WAR EFFORT EXPRESSED IN TERMS OF UNITED STATES POPULATION OR NATIONAL INCOME

Canada's population is about 11,500,000, the United States' about 130,000,000. It is estimated that the national income of Canada in the present fiscal year will be something less than \$6,000,000,000 and that the national income of the United States will be something less than \$90,000,000,000. A true picture of the war effort of any country can only be obtained when that effort is considered in relation to potential resources. For the convenience of United States readers, therefore, the following salient features of Canada's war effort are presented in round figures, in terms of United States population or national income. Figures relating to man-power are translated in terms of population, figures relating to money in terms of national income.

	Canada	In United States Terms
Number of men in navy.....	25,000	282,500
Number of men in army.....	230,000	2,599,000
Number of men in air force...	83,000	937,900
Sailors, soldiers and airmen overseas.....	100,000	1,130,000
Money spent on war (first two years)—including financial aid to Britain.....	\$2,183,000,000	\$32,745,000,000
Money being spent on war this fiscal year (April 1, 1941, to March 31, 1942) — including financial aid to Britain.....	\$2,350,000,000	\$35,250,000,000
Cost to Canada of British Com- monwealth Air Training Plan (for three years).....	\$ 531,000,000	\$ 7,965,000,000
Value of Canadian products, including war supplies and equipment, sent to Britain in first two years of war.....	\$1,071,000,000	\$16,065,000,000
Value of Canadian products to be sent to Britain during present fiscal year.....	\$1,500,000,000	\$22,500,000,000
Estimated amount of Federal revenue in present fiscal year...	\$1,500,000,000	\$22,500,000,000
Money loaned to Canadian Government by Canadian people since outbreak of war....	\$1,470,000,000	\$22,050,000,000
Voluntary contributions to war charities since outbreak of war.\$	27,000,000	\$ 405,000,000
Total value of contracts placed and commitments made by Department of Munitions and Supply on Canadian and British account.....	\$2,400,000,000	\$36,000,000,000

HOW THE WAR HAS AFFECTED TAXATION IN CANADA AND THE UNITED STATES

Both Canada and the United States have greatly increased their income tax to pay for national defence. The following table illustrates this increase:—

Tax on income paid in the United States and in Canada by a married couple with no dependents.

Income	Tax Paid on Last Year's Income		Tax Paid on This Year's Income	
	United States	Canada	United States	Canada
\$	\$	\$	\$	\$
1,600	—	6.	6.	15.
3,000	31.	135.	138.	250.
5,000	110.	455.	375.	750.
10,000	528.	1,870.	1,305.	2,580.
20,000	2,336.	5,910.	4,614.	7,330.
50,000	14,128.	20,610.	20,439.	24,485.
100,000	43,476.	49,520.	52,704.	56,895.
500,000	330,156.	347,235.	345,084.	376,140.

To the figures for Canada given above should be added the Canadian National Defence tax which is $3\frac{1}{2}\%$ for the present year for a married couple. This tax is levied on the total income without deductions. (*See also pages 64-65.*)

FOREWORD

Servitude or Freedom?

From now on, let free men everywhere face reality. Let them recognize that it is something infinitely greater than the fate of any country which they are called upon to defend; that it is the defence of freedom not of any country, not of any continent, nor, indeed, of any hemisphere, but that it is the freedom of mankind which is at issue. Mankind cannot continue long half slave and half free. A world, half slave and half free, is the position that confronts the nations to-day.

Two years of war have served not to lessen but to increase the magnitude of the conflict. Whatever the outcome in Russia may be, it should be realized that the power, the skill and the resources of the enemy are so great that the slightest relaxation of effort in any direction would be fraught with the greatest of risks for all. Let us never forget the size and the power of Germany's war machine, and that while German forces fight on distant fronts, Germany herself and the countries controlled by Germany continue to manufacture the equipment and munitions needed to effect the necessary repairs and to keep her armed forces at the highest state of efficiency.

The President of the United States, in the latest of his great pronouncements, did not hesitate to say: "It must be explained again and again to people who like to think of the United States navy as an invincible protection, that this can be true only if the British navy survives. That if the world outside the Americas falls under Axis domination, the shipbuilding facilities which the Axis powers would then possess in all of Europe, in the British Isles and in the Far East would be much greater than all the shipbuilding facilities and potentialities of all the Americas—not only greater, but two or three times greater."

I said in London that nothing in recent months had been more significant than the recognition of the deepening interdependence of the British Commonwealth and the United States. This growing sense of interdependence has arisen because, while, albeit at the sacrifice of assistance to other nations, the British Commonwealth and the United States might each for itself be able to resist invasion

and conquest, each is coming to realize that neither acting alone could destroy a military machine such as Germany already possesses, and is in a position further to strengthen. Without the common action of both, the present war might well drag on for years, and the world be reduced to a condition of chaos which will make decisive victory, not to mention reconstruction, impossible.


Canada's task is to play her part in saving humanity from a descent into universal chaos. In order speedily to accomplish that task, the total effort of all free men is needed. We in Canada can make no more effective appeal to free men throughout the world than the appeal of our own example, as a people still removed from the heart of the struggle, yet putting forth our utmost effort.

How much, when it is over, may be left of what is worthwhile in the world, no one can say. That is why I believe it is vital to make a supreme effort now to convince the people of Germany that they never can hope to win. Such a supreme effort can be made only if every nation and every man, who is still free, put forth their utmost effort. "The length of the ordeal through which humanity must pass", to use words employed by President Roosevelt a night or two ago, "the extent of the wastage of human life, the chance for reconstruction, ere mankind encounters something in the nature of world chaos, all alike wait upon what it is possible for men who are still free to do here and now."

*Prime Minister Mackenzie King in a Radio Address
to the People of Canada on September 17th, 1941.*

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GENERAL SUMMARY

"King George VI of England did not ask us to declare war for him: we asked King George VI of Canada to declare war for us."

*L. W. Brockington, Official Recorder
of Canada's War Effort, in a Speech
at Toronto on September 18th, 1941.*

"The war effort of Canada during this war, happily, has not so far required effusion of blood upon a large scale. But that effort, in men, in ships, aircraft, air training, in finance, in food constitutes an element in the resistance of the British Empire without which that resistance could not be successfully maintained."

*Winston Churchill, Prime Minister
of Great Britain, in an Address at
the Mansion House, London, on
September 4th, 1941*

Canada has entered her third year of war. In September, 1939, four days after Britain began hostilities, the Canadian Parliament assembled and the Government announced that it advocated placing Canada in the war at the side of Britain and her Allies. The Dominion was completely at liberty to make war or to abstain from making war, and it was Parliament's duty to decide whether or not to support the Government in its decision. After the proposal had been freely discussed for two days, the Government was accorded Parliament's support by a nearly unanimous division, and on the following day, September 10th, 1939, the King, at the request of the Canadian Government, declared that a state of war existed between Canada and Germany. When Italy began hostilities on June 10th, 1940, Canada at once declared war on her.

Two years ago the Dominion was a relatively weak military power.

"The first year of war," said Hon. J. L. Ilsley, Minister of Finance, on September 18th, 1941, "was one of disaster and disillusionment. We and the other democratic nations who entered it were not fully prepared for it—no one, in fact, was fully prepared except the enemy who had been planning a campaign of conquest for many years, and had forced the German nation to bend all its energies to forging weapons of aggression. Moreover, the Allied Chiefs of Staff made the profound mistake of visualizing this war as one primarily of static defence and economic blockade. Before that fateful first year was over, we had learned what

prodigious striking force the enemy had created, and how inadequate were not only our preparations for modern war, but also our military strategy. The fall of France was a major catastrophe in itself and vastly altered the character of the war, giving the enemy great strategic advantages. All the plans of the democratic nations had to be revised, indeed revolutionized.

"Canada had entered the war with decision and clear-headed courage. During this year we had to plan and organize our war effort. By its close we had many of our own forces in Britain or British waters, we had set about a far-reaching programme of military expansion, we had commenced to build a large war industry, and the Commonwealth Air Training Plan was well under way. We were all hopeful, but still conscious of the overwhelming superiority of the Nazi war machine—still fighting an uphill defensive fight and hoping for time in which to build up our offensive strength.

"The second year of war has given us more room for hope, but none for complacency. It opened with the air battle of Britain, in which those daring men of the R.A.F. saved the fortress of civilization—civilization itself. Our confidence grew with the victories over the Italians, but false optimism was soon dashed to the ground by the German successes in Yugoslavia, Greece, Africa and Crete, and gave way to searching self-criticism. In the meantime, our hopes for ultimate victory were immeasurably strengthened by the passage of the Lease-Lend Act, the increasing mobilization of the economic power of the United States on our side, and finally, that fateful decision, for whatever reason, of the Nazi war lords to attack Russia. As the second year of war ended, there was still in progress, after more than two months of amazing destruction, that gigantic battle in which perhaps eight millions of men are locked in death struggle on a 2,000-mile front from Lenin-grad to Odessa—a battle that will surely rank as the greatest of all history.

"For us here in Canada the second year was one of action as well. An active army of 230,000 men has been recruited and trained and much of it despatched overseas. Our Navy has taken a vital part in the unceasing battle of the Atlantic. Our men have fought in the air over England. The Commonwealth Air Training Plan has been rushed to practically full scale operation, far ahead of schedule. We have carried nearly to completion the

building of a great new war industry—far beyond anything ever dreamed of in Canada before. We have produced large supplies of food, of raw materials and of many types of war equipment for our own forces and for Britain. We have begun to hit our stride.”

Two years of war have indeed wrought significant changes in Canada. Here are some approximate figures which indicate the extent to which a nation organized for peace has mobilized its resources for war:

	<i>September, 1939</i>	<i>September, 1941</i>
Total number of men in active armed forces.....	11,000	338,000
Percentage of national income allocated for defence.....	1.4%*	40%
Contracts placed and commitments made for munitions and supplies in Canada by Canadian and British Governments.....	\$35,000,000	\$2,400,000,000

*About \$64,500,000—the largest sum ever allocated for defence in Canada in peace time. During the years 1936-39 steps were taken to modernize the armed forces and to prepare measures for the defence of Canadian territory.

Reviewing the general war situation and the extent of Canada's effort to date, Mr. Ilsley expressed the point of view of the average thinking Canadian when he said on September 18th, 1941:

“We have more and more reason to believe in ultimate victory, if all of us work to achieve it—if we make the best use of our men, our materials and our intelligence. We have indeed a solid basis for confidence. But this I cannot too strongly emphasize—it would be false and dangerous optimism to think the end is near or that Victory is assured whatever we may do. Let us not delude ourselves—the road ahead is long and hard, victory has still to be won from the most powerful of enemies, and we of the British Commonwealth cannot devolve the burden that is ours upon the people of any other nation or nations.”

Canada is in full agreement with Britain on plans for the conduct of the war for the immediate future. When in Britain in December 1940, to consult with British authorities, Hon. J. L. Ralston, the Minister of National Defence, assured the British Government that “Canada has only one subject—a full-out contribution with everything Canada has and as fast as she can give it.” Canada is continually adding to the strength of her overseas forces,

and is prepared to have them go wherever their services may be required. Speaking at the Mansion House in London, on September 4th, 1941, Prime Minister Mackenzie King said, "You all know how eager our Canadian soldiers are for action against the enemy. I cannot make too clear that the policy of the Canadian Government is to have our troops serve in those theatres where, viewing the war as a whole, it is believed their services will count most." And, speaking for the average Canadian citizen, he said, "We have been inspired by the undaunted courage and unshaken faith with which millions of ordinary men and women have faced destruction and death. We in Canada cannot all share your dangers, but we are proud to share your burdens. We are determined to share them to the utmost of our strength."

CANADA'S ARMED FORCES

"They are too near to be great but our children will know how and why our fate was changed and by whose hand".

From a tribute to the Canadian Corps, 1914-18, carved in the Memorial Chamber, Parliament Buildings, Ottawa.

Apart from the Reserve Army, Canada's armed forces (Navy, Army and Air Force) now number about 338,000 men. Of these over 100,000 are overseas. In addition, some Canadians are serving with British forces.

The Navy

"Seek out and engage the enemy".

Naval Standing Order.

The Royal Canadian Navy has grown speedily, as is indicated by the following figures:

	<i>Pre-war</i>	<i>To-day</i>
Active service strength.....	1,800	25,000
Ships.....	13	About 300

The Navy consists chiefly of small ships—destroyers, corvettes, mine-sweepers, patrol boats, converted yachts, and a fleet of smaller craft suitable for coastal work. It has, in addition, three merchant cruisers of considerable tonnage.

R. C. N. personnel is the nucleus of Canada's Navy, but since the outbreak of war Volunteer Reservists have been mobilized and enlisted in increasing numbers. They now constitute the largest proportion of the Navy's strength. Most of them are landsmen who for the first time are learning the craft of the sea and the lore of ships. R.C.N.R. personnel, experienced men from the merchant service, have also been enlisted by the Royal Canadian Navy, and on the Pacific Coast the Fishermen's Reserve is doing a quiet but important job. Some forty fishing craft with their crew have "joined up" for the duration.

Volunteers for the Royal Canadian Navy continue to be taken on at a steady rate. By March of next year its strength is expected to be at least 27,000 men and 400 ships.

Work of The Navy

Canada's sailors are manning Canadian naval ships which daily take part in the Battle of the Atlantic and in operations in almost every theatre of naval warfare. Canadian destroyers, which have operated on both sides of the Atlantic, average twenty to twenty-five days a month at sea. The Canadian Navy has played a very important part, since the outbreak of war, in the convoying of Canadian and American supplies to Britain. Since September 16th, 1939, when the first group of convoyed ships left an eastern Canadian port, Atlantic shipping carrying a total of more than 35,000,000 tons has been convoyed by the Royal Canadian Navy, in co-operation with the Royal Navy. This has involved the most careful organization of the Naval Control Service on Canada's east coast—a factor of vital importance to the maintenance of supply lines from America to Britain. Speaking in Bermuda on September 27th, 1941, Col. Frank Knox, Secretary of the United States Navy, said that the Canadian Navy is doing "a very outstanding job" in the defence of North American sea approaches and added that it had been "a very considerable help to the whole problem of transport."

In addition to convoy work, ships of the Royal Canadian Navy have performed a variety of duties. They have captured enemy vessels, caused others to be scuttled, sunk enemy submarines, effected rescues and assisted in the evacuation of beleaguered troops.

This work has not been carried out without loss. H.M.C.S. "Fraser" was sunk on a misty night in June,

1940, during the course of operations off the coast of France. Ships were running without lights to avoid danger of enemy attack, and "Fraser" was cut in two by a much larger ship. H.M.C.S. "Restigouche" rescued most of her crew. H.M.C.S. "Margaree", on convoy duty, suffered a similar fate somewhere in the Atlantic in the autumn of 1940, and most of her crew were lost. The most recent loss suffered by the Royal Canadian Navy was the sinking of H.M.C. corvette "Levis" "by enemy action", which was announced on September 27th, 1941. Because of the need for secrecy concerning naval operations, no details were disclosed by Naval Headquarters beyond the fact that 17 of her crew were lost. The Navy has lost a total of five ships.

About 600 Canadians are serving with the Royal Navy or are in training at Royal Naval establishments.

In addition to its work in British and other non-Canadian waters, the Royal Canadian Navy has successfully protected the Dominion's shores and ports. Its ships patrol Canada's coasts day and night. This work too has its hazards. For example, in October, 1940, storm caught the minesweeper "Bras d'Or" somewhere in the Gulf of St. Lawrence and she was lost with all hands.

Canadian naval shore establishments also play their part. In key centres naval officers carry on the complex business of naval plans and operations, linking the Dominion's activities to the world-wide operations of the Empire's naval forces and performing the multitude of exacting tasks which must be carefully executed if Canada is to play her full part in protecting the Empire's commerce.

The Army

"The Canadian Corps is a dagger pointed at the heart of Berlin".

*Lt-Gen. A. G. L. McNaughton,
Commander of the Canadian Corps
in Britain.*

The Canadian Army has expanded greatly since the outbreak of war as is indicated by the following figures:

	<i>Pre-war</i>	<i>To-day</i>
Active Army.....	4,500	230,000
Reserve Army.....	55,000	170,000

Strength of the Canadian Active Army

The Canadian Active Army is a body of some 230,000 volunteers who have enlisted for service anywhere for the duration of the war and for as long thereafter as the Government may require them.

It will shortly have the greatest divisional strength in its history—a total of six divisions. During the first Great War Canada raised five divisions, but the fifth was broken up for reinforcements. Nearly all the infantry for the Sixth Division is already mobilized, and artillery, engineers, signals and other technical units are being drawn from the Reserve Army.

The Canadian Army is continuing to enlist volunteers.

The Canadian Active Army on Home Defence

Canada drafts single men, aged 21 to 24, who have not already joined one of the active armed forces, for full-time home defence duties with the Active Army. During their four months' period of preliminary training, "draftees" are given an opportunity to volunteer for active service wherever required with the Navy, Army or Air Force. Those who do not volunteer for such service are posted to home defence duties for as long during the duration of the war as the Government sees fit. These men constitute the Canadian Active Army on Home Defence and release volunteers already on active service in Canada for overseas duty.

Compulsory military training was announced in Canada in June, 1940. In that month the National Resources Mobilization Act was passed. It gave the Canadian Government power to require "persons to place themselves, their services and their property" at the disposal of the country whenever this "may be deemed necessary or expedient for securing the public safety, the defence of Canada, the maintenance of public order, or the efficient prosecution of the war." This power, however, "may not be exercised for the purpose of requiring persons to serve in the military, naval or air forces outside of Canada or the territorial waters thereof."

The first group to be given thirty days' basic training under the authority of this act, went to camp in October, 1940. In the succeeding months about 87,000 men were so trained. About 20,000 of these joined the active

forces; the rest were posted to the Reserve Army for part-time training. In February, 1941, the period of preliminary training was increased to four months; in March, the first four-months class went to camp; and shortly afterward it was announced that "draftees" would be kept indefinitely in the Army.

All single men and widowers without children, aged 19 to 45, are by law liable for military service in Canada. At present the Canadian "draft" is calling up the 21-24 age group. Only men in first-class physical condition are selected and provision is made for postponements in a few very special cases where it is in the public interest that they should be granted. Men not selected at their first call are still liable for service and may be called at any time. To September, six monthly classes totalling about 23,000 had been selected. A large number of these men have volunteered for service anywhere with the Navy, Army or Air Force.

Strength of the Canadian Reserve Army

The Canadian Reserve Army constitutes a pool of partially trained men from which volunteer reinforcements for the Active Army may be drawn. It is also to perform "an operational role in defence of Canada when required" and give "aid to the civil power in case of subversive or other disturbances." It numbers about 170,000 men; of these about 67,000 are men who have been given thirty days' compulsory military training and then posted to reserve units for part-time training. These men are now steadily being called for full-time home defence duties, unless they volunteer for overseas service. The remainder of the Reserve Army are volunteers. Members of the Reserve Army train for a specified number of hours each week, and at camp in the summer, and at the time same carry on with their civilian jobs. Because of the nature of the work which the Reserve Army is designed to perform, the age limit is now 50, compared with 45 for the Active Army.

The Active Army in Canada

Units of the Active Army in Canada guard the Dominion's coasts and vital areas. Others are training in some sixty establishments scattered throughout the country.

While first consideration has necessarily been given to the equipping of Canadian overseas forces and to sending material to Britain, the Canadian Army at home is steadily being fully equipped.

The Army Overseas

A Canadian Army Corps, consisting of three divisions, an Army Tank Brigade and ancillary troops, and numbering scores of thousands of men, is in the British Isles. These troops guard vital sectors. Other Canadian soldiers are in Newfoundland, the British West Indies and Gibraltar. Until their recent removal for service elsewhere, Canadian troops for many months helped to garrison Iceland, where they played an important part in building the defences of that strategic island.

The First Canadian Division landed at a British port on December 17th, 1939, and was quickly followed by other troops, until, by February, 1940, there were approximately 25,000 Canadian soldiers in Britain. This number has been increasing steadily ever since.

In April, 1940, a Canadian component was detailed to take part in a frontal attack on Trondheim, Norway. This component, composed of picked units and commanded by a specially selected officer, moved off on April 18th to the port of embarkation in Scotland. However, after arrival there, the operation for which they had been detailed was cancelled, and the troops returned to camp.

In May, 1940, the First Canadian Division was selected to restore the communications of the B.E.F. with the Channel Ports. On May 23rd and 24th, while the Canadian Commander, Lieut.-Gen. A. G. L. McNaughton, was carrying out a reconnaissance in France, the troops started for embarkation points. However, as a result of the reconnaissance, the War Cabinet decided that the existing military situation would have to be dealt with by the men and guns which were in France, time for moving troops with the necessary heavy equipment to the critical points not being available. The operation was accordingly cancelled.

On May 26th another proposal was made to use the Canadian troops in France. Units were entrained and ready to move to the port of embarkation, but it was decided that landing more men on the French coast would not contribute to the salvation of the B.E.F.

In June, 1940, the First Canadian Division was detailed as part of the new B.E.F. which was formed after Dunkirk, in order to support the battered French Armies in the region of the Somme. However, only one infantry brigade, with some artillery and attached technical units, actually landed at Brest. These troops immediately proceeded towards the battle front, and some were at Sable-sur-Sarthe, more than 200 miles from Brest, and close to the divisional concentration area, when they received orders to retire. Thus, after less than forty-eight hours in France, these troops were necessarily withdrawn to England because of the deterioration of the general situation in France.

In September of this year Canadian, British and Norwegian forces under Canadian command effected a landing at Spitzbergen. The main purpose of the expedition was to prevent the Germans from utilizing Spitzbergen with its rich coal mines for their own war purposes. No enemy interference was encountered, and the force carried out its mission successfully.

In between these expeditions, and up to the present time, Canadian formations have occupied vital sectors in Britain's front line and acted as striking forces in reserve, ready to launch a counter-blow against any invading force that might succeed in getting through the coastal defences. Canadian units take their turn on coastal duty, work on the coast defences at many points, maintain communications, dispose of unexploded bombs, build strategic roads, and help to exploit the timber resources of the British Isles. The Canadian Corps has been kept in Britain thus far because the British Government considers it an essential factor in the defence of Britain, which is of paramount importance to the Empire and its Allies. On September 4th, 1941, speaking at the Mansion House, London, Winston Churchill, the British Prime Minister, said of the Corps, "There they stand, and there they have stood through the whole of the critical period of the last fifteen months—at the very point where they would be the first to be hurled into a counter-stroke against an invader." In the meantime, every opportunity for increasing the Corps' efficiency and high state of training is eagerly seized upon—in preparation either for an invasion attempt by the Germans or for an attack in force on the continent, to the ultimate need for which Lt.-Gen. McNaughton referred

on September 26th, 1941, when he told Canadian newspapermen visiting Britain that "There will have to be an invasion of the continent. I don't think you can bring a proud and well-organized nation to her knees with missiles alone".

The Canadian Army overseas is a powerful organization built on strictly modern lines. Its mechanized equipment of many different types and its complex array of armament, make it a very different army from the Canadian Corps of 1914-18. Planes and reconnaissance battalions of motorcycles and armoured scout cars render it sensitive. Tanks give it striking power. Its infantry units are capable of fast movement and possess fire-power for both offensive and defensive purposes. Its artillery is mobile and equipped to fight tanks and airplanes as well as to bombard enemy positions. Its engineer units are capable of coping with the new problems which mechanization has created. Its signal arm makes full use of modern wireless equipment. The Army Service Corps and the Ordnance Corps have been mechanized and provided with modern equipment needed to supply the troops with food, gasoline, ammunition, repair facilities, etc. The Medical Corps, too, has had to adapt itself to the war of movement.

Some Canadians are serving with the British Army.

The Air Force

"Per ardua ad astra".

Royal Canadian Air Force Motto

The total personnel of the Royal Canadian Air Force is about sixteen times what it was before the outbreak of war. This is indicated by the following figures:

Pre-War Strength
4,500

Strength To-Day
83,000

The rate of recruiting is now being accelerated, with training capacity expanding. About 16,000 volunteers were taken on in September—an increase of approximately 24% in total personnel. On September 30th, 1941, Air Minister Power stated, "Canadian youth have simply rushed to our recruiting offices."

The Air Force Overseas

Canadian airmen have been engaged in combat since the outbreak of war. Many had joined the R.A.F. before war broke out and others followed in late 1939 and early 1940. The first R.C.A.F. squadron arrived in Britain early in 1940; it was followed shortly afterward by two other squadrons. The flow of Canadian airmen from the British Commonwealth Air Training Plan in late 1940 and in 1941 has steadily increased the number of R.C.A.F. fliers in both the R.A.F. and the R.C.A.F. overseas. That Canadian fliers have recently been reaching the battlefront in rapidly increasing numbers, is indicated by the latest casualty figures. On October 1st, 1941, 756 had been listed as dead or missing (as compared with 549 five weeks earlier), and 49 were prisoners of war or interned. The number of R.C.A.F. squadrons operating overseas is now 13. By the end of the year there will be at least 25 R.C.A.F. squadrons overseas, and the total number of trained Canadian airmen abroad will be equal to a division of infantry. Air Minister Power has said that eventually the R.C.A.F. may constitute one third or even one half of all Empire airmen. He stated significantly on August 9th, "We are not proposing to limit ourselves." Canadian airmen are now fighting over Britain, Europe, Libya, Egypt, Greece, Syria and Russia.

For reasons of secrecy, detailed information concerning the activities of Canadian airmen overseas is not at present available. The following facts, however, are known. The "All-Canadian" squadron of the R.A.F., formed late in 1939 of Canadian and British pilots, has had a very distinguished record. It destroyed at least thirty planes over France and the Low Countries during the Battle of France in the summer of 1940 and had the honour of being the last squadron to leave French soil. It fought over Dunkirk, and played its part in protecting the evacuation of British and Allied troops. It also fought over London during the September "blitz". In six fights it destroyed 55 enemy planes with a loss of only two of its own pilots. By January, 1941, it had accounted for more than 100 enemy planes. All but one of the Canadians in the squadron have now been transferred, and its leader, the famous "legless" Squadron-Leader Douglas Bader, is reported a prisoner of war.

One of the first R.C.A.F. fighter squadrons to see action has had an equally distinguished record. It shot down

12 enemy planes in its first 19 days of action and is now credited with 100 planes. It took part in the air battles over London in September, 1940, and on one day shot down 14 enemy planes.

During the past five or six months Canadian fliers have been taking part in R.A.F. daylight sweeps over Germany and the Low Countries. Canadian airmen have bombed Berlin and carried out attacks on the German warships "Gneisnau" and "Scharnhorst". Two Canadian squadrons are now assigned to night fighting duties, and others are on coastal patrol work under both the fighter and bomber commands.

Canadian ground crews are operating in Britain, and soon most Canadian squadrons will be serviced by Canadian mechanics. About a thousand radio technicians have for some time been assisting the R.A.F. in detecting hostile aircraft and 2,500 more such technicians will go overseas this year. A third class is now being trained in Canada.

The Air Force in Canada

R.C.A.F. planes play a vital part in western hemisphere defence. They escort convoys and are on patrol duty in Canada daily and far out to sea on both coasts. Sometimes they patrol so far out on the Atlantic that they could more easily land in Ireland than at their home base. Coast defence squadrons are being steadily strengthened. They now include many airmen who have had combat experience overseas.

Aircraft of the coastal commands have had moments of more than routine activity. For example, Atlantic squadrons took part in the search for the "Bismarck" and were ready to go into action, should this have been necessary.

The British Commonwealth Air Training Plan

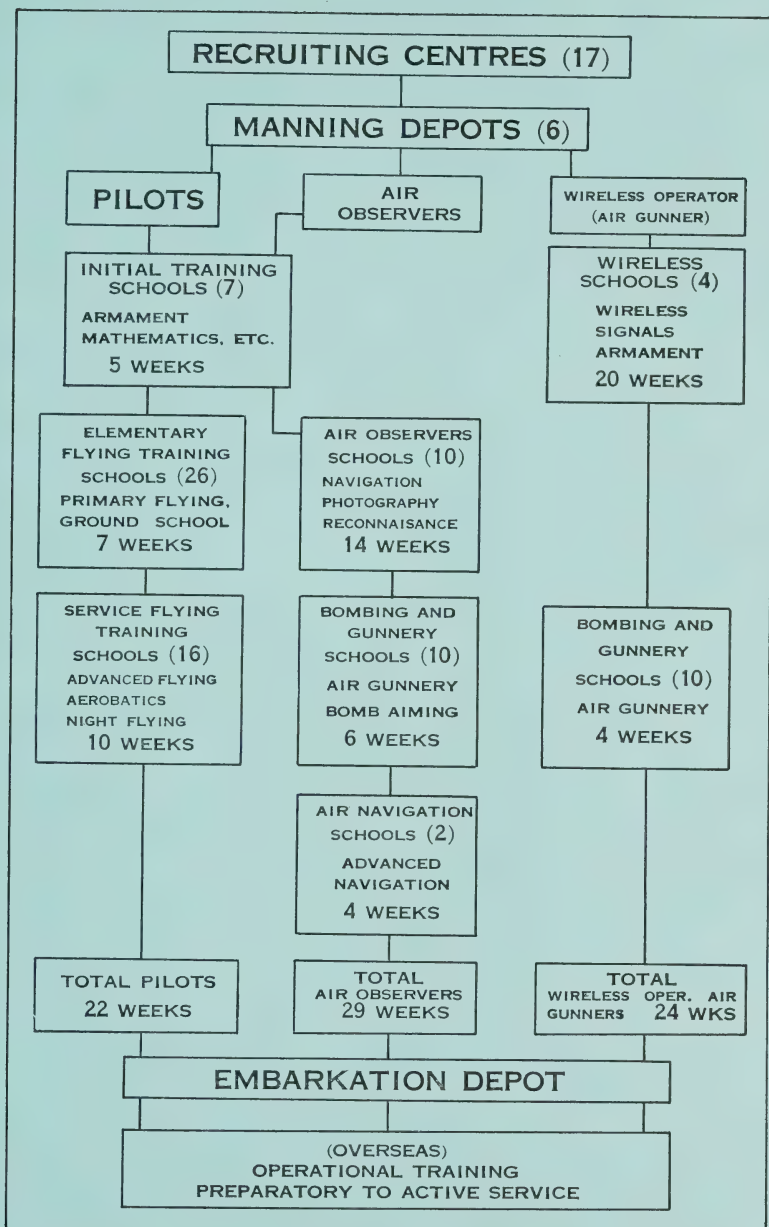
The British Commonwealth Air Training Plan is steadily becoming what it was designed to be when first announced in December, 1939—a major source of air strength from which fighting air teams will go out in formidable numbers to strike at the Nazi war machine. The importance which the highest authorities attach to the Plan may be judged from remarks recently made by Air

Marshal A. G. R. Garrod, air member for training in the supreme air council of Great Britain. Air Marshal Garrod, who came to Canada recently to obtain a first-hand picture of the Plan in operation, said on September 20th, "Training in Canada is the foundation for all air force expansion and if we can defeat the enemy in training we can defeat him in the air. The battle of training is the foundation for the battle of bullets and bombs. . . . We are relying absolutely on the work now progressing on the Canadian training grounds. The training here is becoming more and more important and is an essential, decisive factor in winning the war."

The Plan trains Canadian, Australian, New Zealand and British airmen. In the past year a considerable number of British training schools have been transferred to Canada, where air space and freedom from enemy attack provide suitable conditions for training. The Plan is thus essentially a Commonwealth enterprise. Canada, however, has undertaken the major share of the burden both in men and in money. Canadians recruited by the R.C.A.F. constitute 80% of the air crew trained or in training (about 8% of these are American volunteers), and Canada will pay about \$531,000,000 of the \$824,000,000 which the Plan will cost in its first three years of operation.

The rapid expansion of the Plan is one of the most significant features of Canada's war effort to date. While 83 schools of all kinds were originally called for, 93 are now in operation; the Plan which was to have been going "full blast" by March 31, 1942, has now virtually been completed—seven months ahead of schedule; air crew are being turned out at about twice the rate originally planned. The Plan now operates 131 establishments of all kinds and about 100 air fields. This, however, is only a beginning. The Plan is to be further extended. Air Minister Power announced on September 30th that the number of airdromes and schools is to be almost doubled and that the output of air crew will be increased by 25%.

The table on the opposite page shows the schedule of air crew trainees from the time they enter as recruits, until, about six months later, they are ready to begin operational training.



Training the Forces

Schools and training centres for the forces are scattered throughout Canada. In addition, all three Services operate special technical training centres to educate men to perform the variety of highly specialized tasks which modern warfare makes necessary. Schools and universities are co-operating in this work. Air Force ground crew trade schools have trained more than 20,000 men and Army trade training centres are turning out maintenance men at the rate of 20,000 a year.

The following table indicates the extent and nature of the training which the members of Canada's armed forces are receiving in centres from coast to coast:

Navy

R.C.N.V.R. Divisions (recruiting and preliminary training of naval volunteers)	20
Training establishments	2
Technical Training centres	4

Army

Officers' training centres	2
Basic training centres	29
Advanced training centres (infantry, machine gun, small arms, artillery, engineers, signals, armoured car and tank, army service corps, medical etc.)	28
Technical training centres, (including technical schools, etc., co-operating)	125

Air Force

Air Schools (See table on page 23)	85
Technical and special training schools	8
Pre-enlistment trade training centres	16

Casualties

The following casualties in the Canadian armed forces had been reported up to September 20th, 1941:

Dead or Missing	1,553
Navy	401
Army	442
Air Force	710
Wounded	346
Navy	63
Army	151
Air Force	132

Women's Auxiliary Services

The Army and the Air Force are now enrolling women for auxiliary services, and the Navy has such a move under consideration. The Canadian Women's Army Corps expects to take on 2,000 women by April 1st, 1942, and the Canadian Women's Auxiliary Air Force will enlist more than 2,000 during the next six months. Women will perform administrative duties such as office work, telephone operating and army stores duties, as well as light transport driving, cooking, messenger service and canteen work, thus releasing men for active duty.

Cadets

Canadian boys have opportunities to obtain elementary training which will be of use to them when the time comes for them to enlist in one of the three services.

The Sea Scouts and the Sea Cadets of Canada have branches from coast to coast. These organizations are providing boys of pre-military age with a thorough grounding in naval matters. The Sea Cadets are sponsored by the Navy League of Canada and are under the jurisdiction of Naval Services.

Secondary schools throughout the country, both public and private, operate cadet corps in which hundreds of thousands of boys learn the rudiments of soldiering.

Organization of the Air Cadet League of Canada is proceeding rapidly. Training is supervised by local Air Force commands in various parts of Canada. The course covers two years and includes basic training in subjects relating to aircraft and air fighting. Upon completion of the basic training, air cadets may specialize in certain branches of these subjects.

AID TO BRITAIN

*"Come the three corners of the world in arms,
And we shall shock them.*

Shakespeare

Co-operation between Britain and Canada is extremely close. It is fostered through diplomatic and trade channels, by various boards established by both governments and by means of personal visits by officials and experts back and forth across the Atlantic. These visits are going on

continually. In addition, most Canadian cabinet ministers who are concerned with the conduct of the war have been to Britain to consult with the British authorities. These include the Prime Minister, Rt. Hon. W. L. Mackenzie King; the Minister of National Defence, Hon. J. L. Ralston; the Naval Minister, Hon. Angus Macdonald; the Air Minister, Hon. C. G. Power; the Minister of Munitions and Supply, Hon. C. D. Howe; the Minister of Agriculture, Hon. J. G. Gardiner; and the Minister of Pensions and National Health, Hon. Ian Mackenzie. Hon. R. B. Hanson, leader of the Opposition, is now in Britain to obtain a first-hand view of conditions there.

Military and Scientific Co-operation

Close co-operation between Canadian and British forces is maintained by the heads of all three services in both countries. Co-ordination in matters relating to training, operations, etc., is carefully worked out and fostered by frequent visits by high ranking officers and officials of both countries. Direct liaison between Canadian and British forces overseas is maintained through the Captain Commanding Canadian Ships in the United Kingdom and through Canadian Army Headquarters and Royal Canadian Air Force Headquarters in Britain.

Canada has taken charge of a number of enemy prisoners of war, most of whom have been captured on one of the many battle fronts of the war. These prisoners are kept in internment camps and are treated in accordance with an International Convention which lays down regulations for the treatment of combatant war prisoners.

Canadian scientists are co-operating closely with British experts, and many Canadian technicians have gone to Britain. These include specialists attached to the armed forces, as well as civilian experts. It was when on his way to Britain on a mission of high military and national importance that Sir Frederick Banting, famous as the co-discoverer of insulin, lost his life in February 1941, in a plane crash in Newfoundland. Many British experts have come to Canada.

Important in this connection is the work of the National Research Council, Ottawa. Scientific research on war weapons is carried out by its staff of experts. The Council

is under the supervision of the War Technical and Scientific Development Committee. Research Enterprises Limited, a Government-owned company, is manufacturing devices created by the Council. It now has orders totalling \$48,000,000 and it is expected that \$36,000,000 worth of these orders will have been filled by the end of 1942.

Economic Co-operation

Sending Supplies to Britain

Since the outbreak of war Canada has sent increasing quantities of supplies to Britain. This is indicated by the following table:

	<i>Value of Canada's Exports to Britain</i>
1939	\$ 329,000,000
1940	508,000,000
1941 (first eight months)	449,000,000
Estimated present fiscal year (April 1, 1941, to March 31, 1942)	1,500,000,000

Precise figures concerning the amount of war equipment which Canada has sent to Britain are not available for reasons of secrecy. It is known, however, that supplies sent include considerable quantities of such war equipment as machine guns, two-pounder guns, anti-aircraft gun barrels, shells, small arms ammunition, explosives and chemicals, airplanes, corvettes, minesweepers, small boats, mechanized transport, and universal carriers.

Canada's exports to Britain of raw materials such as base metals and timber constitute one of her most important contributions to the Empire's war effort. Precise figures may not be given here; but it may be said that hundreds of thousands of tons of non-ferrous metals are shipped every year. Canada has exported enormous quantities of timber to Britain; for the war cut Britain off from European countries from which she got 75% of her pre-war requirements.

Canada has sent large quantities of food to Britain, as is indicated in round figures by the following table:

Some Foodstuffs Sent From Canada to Britain in the Two Years Since the Outbreak of War

Wheat.....	More than 300,000,000 bushels
Flour.....	7,000,000 barrels
Bacon and other pork products.....	800,000,000 pounds
Cheese.....	195,000,000 pounds
Eggs.....	15,000,000 dozen
Honey.....	13,000,000 pounds
Total (excluding wheat and flour and including canned goods such as concentrated milk and tomatoes and other foodstuffs).....	1,830,000,000 pounds

During the coming year most of Canada's cheese (112,000,000 pounds) will go to Britain, along with two thirds of this year's salmon pack (1,200,000 cases), 30,000,000 dozen eggs, more than 120,000,000 bushels of wheat, 600,000,000 pounds of bacon and other pork products and more than 1,500,000 boxes of apples. Agreements on other items have not yet been announced.

The war has presented a real challenge to Canadian producers. Britain needs certain products in as large quantities as shipping space will allow; other products she does not want or cannot take under war conditions. Nevertheless, Canada is to-day exporting more than twice as much to Britain as she did before the war.

Financial Aid to Britain

Canadians have provided Britain with most of the Canadian dollars she has so far needed to purchase war supplies from Canadian producers; and Canadians will finance the bulk of Britain's expenditures in Canada in the coming months.

Britain pays for a fraction of her purchases in Canada by exporting goods to the Dominion. The rest of her Canadian supplies, however, must be financed otherwise. In the first two years of the war Britain needed about \$1,155,000,000 to cover her purchases in Canada. Less than a quarter of this sum Britain paid Canada in gold. But it has cost Canada in the United States more gold than this to enable her to fill her British orders; and there have been no gold shipments from Britain to Canada since December, 1940.

The remaining \$905,000,000 Canada herself supplied. The Dominion provides Britain with about one third of the Canadian money she needs by repatriating Canadian

securities held in Britain. This amounts to paying debts before they fall due. Canada supplies the rest by accumulating Sterling balances—in effect, lending Britain money. All this credit, like the money raised to spend on Canada's own war effort, must be provided now by the Canadian people. During the present fiscal year the total required for financial aid to Britain will be at least \$900,000,000.

Other Types of Economic Co-operation

The Canadian Government has co-operated closely with the British Government in order that Britain may have all the facilities she needs for war production in Canada. Not only do Canadian factories send supplies to Britain, but plants have been erected in Canada on British account to produce directly for Britain.

Co-operation with Britain in the matter of raw material supply is extremely close, and every effort is made to co-ordinate the work of the two countries, along with that of the United States, in this important phase of the war programme.

Canada has materially reduced tariffs on British imports since the outbreak of war.

Canada pays for the equipment and upkeep of her forces overseas. The only exception in this respect is the provision of service planes for Canadian squadrons overseas. This is looked after by Britain, as part of her contribution to the British Commonwealth Air Training Plan.

A considerable number of Canadian ships have been made available to Britain for carrying supplies and for naval duties.

British ships are repaired and supplied in Canadian ports.

Citizens' Voluntary Aid to Britain

Millions of dollars have been voluntarily subscribed by Canadian citizens to the Canadian Red Cross and smaller organizations for the purpose of providing money, needed articles and war equipment for Britain and for British and Allied soldiers overseas. Bombed towns have been assisted by gifts of money, with blankets, clothing, first aid equipment and other conveniences. Ambulances and mobile kitchens have been provided for the relief of the wounded

and to assist A.R.P. workers. Depots of emergency supplies have been set up at key points in preparation for disasters. Several Canadian towns and cities have "adopted" certain British towns or have undertaken to assist special groups such as fire-fighters, children and congregations of bombed churches. Some organizations supply specially needed articles such as cigarettes and seeds. War planes have been provided by a large number of organizations.

The Red Cross has established a special channel for aid to British civilians—the Canadian Red Cross British Bomb Victims' Fund. The following list indicates the extent to which the Red Cross has already assisted British civilians, Allied soldiers and prisoners of war:

Sent to Britain by the Canadian Red Cross Since the Outbreak Of War

For civilians.....	1,200,000 articles and 2,700 cases of garments
For fire-fighters.....	36 mobile kitchens and \$215,000
For A.R.P. work.....	200 ambulances
Soldiers' comforts and supplies for Canadian military hospitals in Britain and British hospitals.....	8,400,000 articles and 5,000,000 surgical dressings and 69,000 cases of food and tobacco
To British, Canadian, Australian and New Zealand prisoners of war.....	400,000 parcels costing \$2.50 each and contain- ing food and comforts.

The other major Canadian war charities—which are now joined with the Red Cross in the Canadian War Services Fund—provide similar services. These are the Salvation Army, the Canadian Legion, the Navy League of Canada, the Imperial Order of the Daughters of the Empire, the Y.M.C.A., the Y.W.C.A., and the Knights of Columbus. In addition to supplying workers to assist in providing comforts for British civilians, most of these organizations maintain canteens, hostels and service clubs for Canadian sailors, soldiers and airmen overseas and provide them with comforts and entertainment of various kinds. For example, mobile film units are circulated among the troops. The Canadian Legion's educational services offer Canadian forces courses of instruction in a wide variety of subjects, at both school and university standards. They are also instrumental in making concerts, libraries, art exhibitions, etc., available to the troops.

CANADA: ARSENAL AND STOREHOUSE

"Inventiveness and thoroughness in the supply of equipment will win this war."

Lt.-Gen. A. G. L. McNaughton

Building a War Industry

Two years ago Canadian industry was organized almost entirely for peace; to-day under the supervision of the Department of Munitions and Supply, a very large part of it is organized for war. Practically every Canadian factory that can produce for war is now doing so wholly or in part, and this diversion is being continued where possible through the work of the Industry and Sub-contract Branch of the Department of Munitions and Supply. Millions of dollars have been spent by industry on plant expansion and equipment necessary for war production, and the Canadian and British Governments have authorized expenditures of about \$550,000,000 for the same purposes. This has meant not only expansion of facilities existing before the war but also the erection of scores of entirely new factories, some of which are as large as any of their kind in the British Empire.

In the first year of the war the provision of plant structures and machinery constituted a serious problem towards a solution of which all concerned made a concentrated effort. Now that most of these difficulties have been overcome, Canadian industry has struck its stride and its record in war production has been impressive. Most of the war equipment now being produced in Canada has never before been manufactured in the Dominion. Referring to this development on September 18th, 1941, Finance Minister Ilsley said, "It is not too much to say that what has happened in the past year is nothing short of an industrial revolution. This has been accomplished in spite of all the difficulties in obtaining or preparing plans and specifications or in getting new machine tools, despite the need to learn or develop new skills, despite the scarcity of many materials and the inevitable dislocations of wartime. In these new or expanded plants Canadian management and Canadian labour, much of it never previously inside the four walls of an industrial plant, have already produced complicated war equipment of the

highest quality at greater speed and lower cost than in the established plants of the more mature industrial countries."

Two years ago Canada was incapable of equipping an infantry division. "Now", said Hon. C. D. Howe on September 11th, 1941, "Canada is producing practically everything required by a fully equipped infantry division at a rate that enables us to equip a new division every six weeks." Two years ago Canada imported most of what little war equipment she had. To-day Canadian war equipment to quote Mr. Howe, "is being despatched to all the battle-fronts of the world—to Britain, to the Middle East, to the Far East, to our sister Dominions, to China and to Russia."

Construction

Industrial expansion in Canada has involved tremendous construction activity; and in addition to expanding industry, the construction business has undertaken a \$110,000,000 defence building programme, under which several thousand buildings and about 100 air fields have already been completed.

What construction companies in Canada have been and still are undertaking in providing buildings for industry and for the armed forces, is evident from the fact that during the first seven months of this year the number of construction contracts awarded was about 59.9% greater than the number let in the corresponding period of 1940; and construction contracts in 1940 were about 85% higher than in 1939.

Substantial progress has been made in the provision of low-cost dwellings for war workers. Wartime Housing Limited (a Government-owned company) is at present erecting nearly 4,500 houses in Halifax and in twenty-seven other crowded communities. These houses will accommodate thousands of workers and their families. This programme is steadily being extended. The accommodation is to be temporary in character and will be rented to the occupants.

Producing for War

The following is a list of the war equipment Canada is now manufacturing:

Ships

Cargo boats
Minesweepers
Corvettes
Motor torpedo boats
Patrol boats
Small boats

Guns

25-pounders
Bofors anti-aircraft guns
3.7 anti-aircraft guns
Anti-tank guns
Two-inch mortars
Three-inch mortars
Bren machine guns
Browning machine guns
Boys anti-tank rifles
Lee-Enfield rifles

Ammunition

Shells (complete)—22 types
Bullets (complete)—several types
500-pound bombs
Depth charges
Anti-tank mines
Rifle grenades

Chemicals and Explosives

Chemicals—12 types
Explosives—8 types

Planes

13 types including:
Harvard trainers
Avro-Anson trainers
Hurricane fighters
Catalina flying boats

Tanks

Cruiser tanks
Infantry tanks

Vehicles

Universal carriers
Field artillery tractors
Trucks, etc.

Miscellaneous

Uniforms, boots, etc.
Personal equipment
Bomb throwers
Instruments
Radiolocators
Gas masks
Parachutes
Minesweeping gear
Naval stores

Articles on order include naval and land guns and mountings, some of which are in production, armoured scout cars, small arms, predictors for anti-aircraft guns and certain secret weapons.

Most production figures are not available because of the need for secrecy concerning such matters in war time. The following facts, however, give some idea of the extent of Canada's war production to date.

Shipbuilding has increased tremendously in Canada. At the beginning of the war there were only 1,500 workers in Canadian shipyards. Now more than 20,000 workers are employed in 17 major and 45 smaller yards. To-day the shipbuilding programme, including the merchant-ship programme, involves an expenditure of about \$320,000,000.

Of this amount about \$120,000,000 is being spent on naval vessels. Some 250 such ships have been ordered, not including small craft, and over 140 have been either delivered or launched. A total of 112 corvettes and mine-sweepers have been launched. Three "merchant cruisers" and twenty-seven yachts have been converted to naval use. Patrol boats are now being turned out. The keels of two destroyers are to be laid down. British technical experts are to be brought to Canada to assist in the construction of these vessels.

The \$200,000,000 merchant-ship building programme calls for the construction of 116 vessels of the 9,300-ton and 4,700-ton class by the end of 1942. The keels of 16 of these ships have now been laid.

Deliveries are being made regularly under the \$9,000,000 small-boat programme. Nearly 1,000 boats have been ordered and the programme is more than 50% complete. It includes such craft as crash boats, aircraft tenders, bomb-loading dinghies, salvage and supply boats and various types of scows for the Air Force; harbour utility craft, motor torpedo boats, whalers, pulling boats and service dinghies for the Navy; and service boats and collapsible assault boats for the Army.

Canada's gun programme calls for the manufacture of fourteen types of land and naval guns and mountings, in addition to machine guns, rifles and small arms.

Shells, complete and ready for firing, are being turned out at the rate of millions of rounds a year, and tens of millions of rounds of small arms ammunition are being manufactured every month.

Twenty of Canada's 23 chemicals and explosives plants are now producing. This year alone the total production of explosives in Canada will exceed the entire Canadian output during the whole of the first Great War. Construction of chemicals and explosives plants is 95% complete.

The Canadian aircraft industry was of small dimensions at the beginning of the war, but since that time it has built a large number of aircraft. Since January, 1939, the number of men engaged in Canadian aircraft construction has increased from 1,600 to more than 30,000. Output in the first six months of this year exceeded the total for all of 1940.

At present Canada is producing about thirteen different types of plane at the rate of about 40 a week. It is expected that the number of types will be reduced in the near future to allow the industry to concentrate on the trainers now needed and on the service craft which have proved themselves most useful. This may mean fewer planes per week, but the actual output measured in pounds of plane components or in man-hours will continue to grow. Engines for Canadian aircraft are imported, but Canada is now producing almost all the instruments required.

The Canadian tank programme calls for the production of 1,000 cruiser and 800 infantry tanks. Since June, 1941, a considerable number of tanks has been turned out.

More than 150,000 army vehicles have been delivered and are in service, a large proportion of them overseas.

Production of alloys in Canada is now ten or twelve times as great as before the war.

Here are some typical costs in round figures:

Cargo boat.....	\$1,750,000
Corvette.....	550,000
Catalina flying boat.....	100,000
Cruiser tank.....	100,000
Hurricane fighter.....	25,000
25-pounder gun and carriage.....	25,000
Bren gun.....	325
Depth charge.....	75

The total value of contracts awarded and commitments made by the Department of Munitions and Supply on Canadian and British account is now about \$2,400,000,000. This includes commitments for plant expansion and equipment.

Canada is one of the world's major sources of strategic raw materials. She produces about 83% of the world's nickel and ranks high in the production of many other metals and minerals important in war manufacture such as aluminum, zinc, copper, cobalt, lead, platinum metals, asbestos, mica, gypsum and sulphur. Molybdenum is available in quantity in Canada, and the Dominion has the only large commercial output of mercury in the Empire. Tungsten, antimony and manganese are being developed, and intensive search is carried out every year for further deposits of vital war minerals. Mineral production in Canada was 10.9% greater in 1940 than in 1939, and 4% greater in the first seven months of 1941 than in the corresponding period of 1940.

Canada produces great quantities of timber, and has increased her output since the outbreak of war. In 1940 there were 29% more men employed in logging than in 1939, and in the first seven months of 1941, 31% more than in the corresponding period of 1940. Because of the heavy demands of Canada's own defence building programme, the Dominion now consumes 45% of her entire lumber output. Nevertheless, she has large quantities available for export.

Canada is one of the world's great food-producing countries. Among the food products of which she exports large quantities are wheat, flour, cheese, meat and canned goods.

THE HOME FRONT

"Our soldiers, sailors and airmen must be able to feel that they have the collective effort of the nation behind them."

Rt. Hon. Ernest Lapointe, Minister of Justice.

The War and the Canadian Economy

Canada's war programme has caused marked economic expansion. Industrial output has enormously increased and has still to reach its peak; factories are turning out more and more goods; business activity is up and is still rising; mines are producing increasing quantities of minerals; foreign trade advances in spite of the dislocations of war; construction has reached record proportions and there is still much to do; transportation facilities are working diligently to bear the traffic of war; nearly all the workers classed as "employable" in normal times are now at work, along with a considerable number who would not ordinarily be working for salaries and wages; the national income has substantially increased, over half the increase being in salaries and wages.

The magnitude of this increased activity is indicated by the following percentages:

	<i>1940 as compared with 1939</i>	<i>The first seven months of 1941 as compared with the first seven months of 1940</i>
	<i>% Increase</i>	<i>% Increase</i>
Industrial Production.....	23.1	13.2
Manufacturing Production.....	23.4	11.8
Physical Volume of Business...	18.8	13.2
Mineral Production.....	10.9	4.0
Exports (excluding gold).....	27.5	36.0
Imports (excluding gold).....	44.1	32.0
Construction Contracts Awarded	84.9	59.9
Railway Car Loadings.....	10.9	14.5
Employment (general).....	9.0	22.2
Manufacturing Employment...	16.9	25.6
National Income.....	8.5	10.7
Wholesale Prices.....	9.8	5.9

Economic expansion does not mean that individuals, businesses or the nation as a whole are growing rich because of the war. On the contrary, with governments taking three times as much in taxes as in peace time, every one—from the Dominion Government down—needs to retrench in order to help pay for the war. Economic expansion is the result of the insatiable demands of war.

Moreover with Canada's war industry now in substantial production, civilian supply of many commodities is becoming limited. Canadians are realizing to an increasing extent the need of placing their material resources at the disposal of those who can best use them for war purposes, and the Government is taking steps to accelerate this diversion. R. C. Berkinshaw, Director-General of Priorities in the Department of Munitions and Supply and recently appointed chairman of the Wartime Industries Control Board, stated on August 30th, 1941, "It will become necessary to effect further curtailment in consumer goods production and this will necessarily involve sacrifices on the part of all. Non-essential domestic and personal expenditures will have to be curtailed and rigid economy established in the consumption of certain lines of commodities designed for household, family or individual use." Mr. Berkinshaw also stated that rationing of consumer goods will be "largely conditioned by the effort we make now to keep waste down to an irreducible minimum."

At the same time, restrictions on civilian supply, greatly increased taxes and a heavy demand for war investments, are not the only burden the average Canadian

must face. Prices have risen in a number of commodities, though the commodity price index is still considerably below the August, 1929, peak. In addition, certain persons have found that the war has destroyed the market for their product, limited their manufacturing scope, restricted their imports and exports, or in some other way disturbed their economic security. Such of these as are unable to turn to war work, are bearing a special burden.

Profiteering is "out" in this war, so far as the Canadian Government is concerned. Mr. King gave this assurance to Parliament during the debate on Canada's entry into the war. And that assurance was at once made good by the imposition of an excess profits tax and by the setting up of a Wartime Prices and Trade Board, which curbs those who might turn national needs into personal profits.

Economic Policy

In the early stages of the war, production for civilian purposes was in most cases able to expand very substantially along with expansion in war production. This did not interfere with the war effort, because before the war Canada had large reserves of unemployed or under-employed labour and capacity, and as war industries were only in the process of being built up, their demand for raw materials was not so heavy as to interfere seriously with ordinary production. Moreover, supplies of raw materials brought in by ocean ships were not so limited as they are to-day. Nor was the danger of an undue rise in prices as great as it now is. In order to provide war industries with an adequate supply of raw materials and at the same time to prevent an undue rise in prices, the Government pursued two related policies. On the one hand, certain formal restrictive measures to conserve raw materials and foreign exchange were taken, and from time to time specific rulings or informal agreements with industry were utilized to conserve some particular commodity; on the other hand, by taxing and borrowing heavily from the public, the Government was able to hold total civilian spending reasonably close to the pre-war level. These policies were supplemented by measures to increase domestic production and imports where possible, to regulate exports where necessary, to control prices for a time when and where the need arose, and to create an enlightened and effective public opinion. Generally, these policies were marked by

a minimum reliance on over-all coercion and by a maximum reliance on constructive endeavour on the part of the Government on the one hand, and on the part of the persons involved on the other.

In recent months the situation has materially changed. Rapidly growing war industries and expanding armed forces are making increasing demands on raw material supplies; and, because of shipping conditions and the very heavy consumption of raw materials by the rapidly expanding United States defence programme, these supplies, in some instances, are more difficult to get than they formerly were. The problem to-day, as Finance Minister Ilsey stated on September 18th, 1941, "is not to *hold down* civilian consumption but to *reduce it*—in many lines to reduce it substantially or perhaps eliminate it altogether. It is obvious, therefore, that our fiscal measures will now have to be supplemented by more direct controls of production and consumption. The shortages of materials, labour, power and transport which are now developing, are in many cases so acute that no practicable scheme for reducing people's money income could be expected to curtail civilian expenditure far enough and fast enough."

More direct controls are also necessary to safeguard the price structure. Since August, 1939, the rise in the index of wholesale prices has been 26.2% and the cost-of-living index has risen by 12.8%. While this movement has been by no means alarming, considering the depressed pre-war levels of prices, particularly of farm products, the fact that the rise has been most pronounced in the past five or six months points to a danger which the Government is determined to avoid. Prevention of inflation has been a central principle of economic policy since the outbreak of war, and it is to achieve this as much as to provide war industries with the materials they need, that more direct controls are being introduced.

This has been put very clearly by the Minister of Finance. "The basic factor," he said on September 18th, "is the tremendous increase in private spending power in relation to the dwindling supply of commodities which can be bought for civilian use without conflicting with the war programme. If we think of our total national effort as being an 8-hour day, we are spending now perhaps about 3 hours of it in producing goods for war or doing war work of various kinds, and we are spending, say, only 5

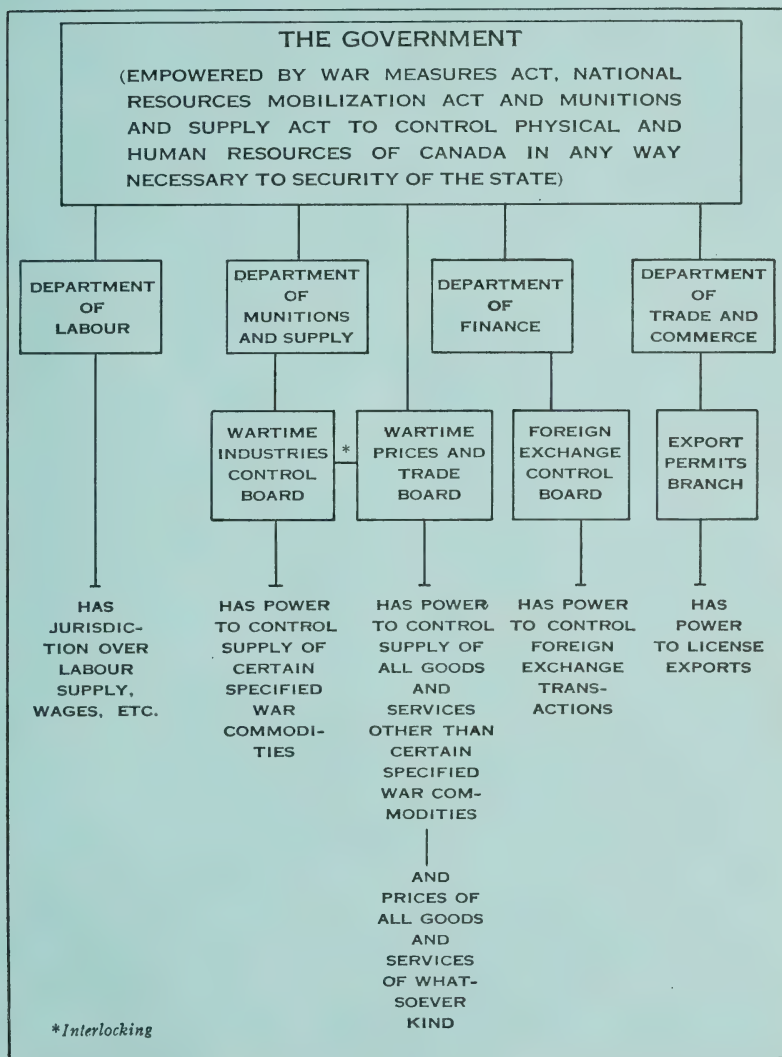
hours producing things to be sold on the market. Yet we are still getting paid for 8 hours' labour. If we all try to spend 8 hours' pay on 5 hours' product, obviously prices will go up. That is a mathematical truism. It is the fundamental factor in the situation. It poses what is for us the fundamental problem of drawing off the surplus purchasing power of private consumers, in order (1) that it may not compete with and therefore retard the war effort; (2) that it may not give rise to all the evils of inflation which became so familiar to us during the last war; and (3) that it may be deferred in order to provide a support against deflation and a stimulus to production and employment in the post-war period when present conditions are likely to be reversed. Let us face the issue clearly. We have two alternatives. Either we must have an effectively planned and operated set of controls which will be deliberately designed to restrict civilian consumption and prevent inflation while attaining the objectives of the war programme. Or alternatively, we must allow a substantial inflationary rise in prices to take place which will automatically restrict civilian consumption and thereby enable the required materials and labour to be used for war work. I believe we are all agreed on the evils of inflation and the absolute necessity of preventing it."

*"T*HERE is only one way to meet total war, and that is by total effort—effort not for a day, or a week or a month, but every day until victory is won."

Prime Minister Mackenzie King

Wartime Controls

The diagram below gives a picture of the set-up of Canada's wartime economic controls.



The Minister of Munitions and Supply is empowered to take any steps necessary to ensure that war industries "delivers the goods" to his satisfaction. The Wartime Industries Control Board may at any time designate a material not already controlled as subject to its control.

The Wartime Prices and Trade Board has control in the price field over all Boards of the Federal and Provincial governments, including the controls established by the Departments of Munitions and Supply, Agriculture, and Fisheries, and Provincial bodies exercising price control over such commodities as milk, fruit, vegetables, and other products and services. In practice, the effect is that all such bodies continue their former functions and present their price recommendations for concurrence to the Wartime Prices and Trade Board.

Powers of the Wartime Prices and Trade Board also include the authority to fix minimum as well as maximum prices and mark-ups, and to prohibit the purchase, sale, or supply of "any goods and services" at variance with such prices. The Board will now also have power to prescribe the terms and conditions under which any goods or services may be sold or supplied "whether on terms of deferred payment or otherwise". This reference is to the so-called "instalment-buying" plan, restriction of which would appear to be in the national interest under wartime conditions. The new regulations also give the Board complete licensing authority over manufacturers, importers, exporters, producers, jobbers, wholesalers or retailers or the suppliers of any goods or services.

The Board is given power to appoint persons to regulate the supply and distribution of goods or services and to investigate voluntarily or on complaint, costs, prices, profits, and stocks of goods and materials of any person engaged in manufacture, importation, exportation, production, storage, transportation, supply or sale of any goods or services, or any alleged or apparent offence against any regulation. The Board is given powers of a commissioner under the Inquiries Act for this purpose.

The Export Permits Branch of the Department of Trade and Commerce licenses exports of a large number of products classified as to type and destination. No product of any kind consigned to a country outside the western hemisphere—except to a part of the British Empire—may be exported without a permit. In addition, export to any country of certain products specified from time to time is subject to export permit control.

Canada's economic control set-up was established in its present form in August of this year, but some of the controls represented have been operating since the outbreak of war and others have been established from time to time in the past two years as the need arose. Some idea of the extent to which these controls, in conjunction with various other steps taken both by Government and by private business, have already succeeded in harnessing the Canadian economy for war, may be gained from the following pages (43 to 68).

Providing a Maximum Supply of Commodities Essential in War Time at Reasonable Prices

General Measures

A priorities system applying generally to raw materials and manufactured products has for some time been in effect. The step was taken to ensure that war supplies might be produced in order of their importance and to meet shortages or threatened shortages of goods arising from the ever-increasing volume of Canadian war production. By direct negotiation priorities officials have tried to avoid the formal application of priority classifications which might tend to retard rather than to expedite production. Priority certificates have been issued only when all other means of obtaining necessary production had been tried and found inadequate. Producers have been expected to meet their own production problems by direct negotiation with others. Should such negotiations fail, the Priorities Officer then took whatever steps were necessary. He could alter delivery dates, divert deliveries, ration materials or take any other action necessary to meet production needs. If these methods failed, priority ratings were assigned. Now with war industries making heavier demands, more selective priorities are expected.

Certain other general measures have been undertaken to limit the use of machine tools for non-war purposes, and to reduce non-war production which requires essential raw materials. In 1940 designs were "frozen" on Canadian manufactures of anything from automobiles to sewing machines in which a change of model would require new tooling. In April, 1941, the erection of plants, the installation of equipment and the construction or repair of buildings costing more than a fixed amount were limited to projects licensed by the Priorities Branch of the Depart-

ment of Munitions and Supply. Construction in Canada is now being concentrated on completing industrial expansion, providing more structures for the armed forces and erecting low-cost housing units for war workers. A Controller of Construction has now been appointed, bringing construction under the supervision of the Wartime Industries Control Board.

The manufacture of automobiles for civilian use has been curbed by a series of measures. To prevent the setting up by importers of new assembly operations which would consume material and labour, an order was issued in the spring of 1941, ruling that if an importer was not manufacturing before December 2nd, 1940 (the date of the embargo on imported cars), he could not start manufacture and make more cars than he could import under his quota. This was followed by an order curtailing the production and sale of automobiles for the period April to December, 1941, to the extent of about 20%, compared with the like period of 1940. The control was based on the foreign currency exchange content of the individual types and models of automobiles. This has effected a decrease in the number of passenger cars being produced for sale in Canada. Official estimates indicate that the average monthly rate of production of passenger cars is steadily declining. At the same time, total automobile production, including output of war vehicles, is up very considerably.

Even fewer passenger cars are to be produced next year. Production of passenger cars in 1942, for sale in Canada, will be less than half the 1940 figure. This will be effected by an order recently issued which limits production to about 44% of the 1940 output. In addition, the number of models will be cut about in half, and accessories reduced to a minimum. The spring manufacturing peak will be "flattened out."

The manufacture of "white-wall" tires in Canada is now prohibited except under license. It is not proposed that any licenses will be issued, as the manufacture of such tires consumes additional zinc oxide and rubber simply for the sake of appearance.

On October 1st, 1941, manufacturers of radios, refrigerators, stoves, vacuum cleaners, and electric washing machines were ordered to cut their production of such goods to 75% of their 1940 output. This was described as a preliminary reduction."

These steps are steadily releasing skilled workers, machine tools, plant capacity and materials for war production.

Measures Applying to Specific War Commodities

Machine Tools: Machine tools, cutting tools and abrasives are basic in war production, and every effort has been made to supply war industries with as many of these tools as possible. The output of the Canadian machine tool industry was small before the war, but in 1940 it jumped about 800% over 1939, and steps taken this year are further increasing output. Canadian plants have been particularly active in the manufacture of machine tools for gun and shell production. Canada normally imports most of her machine tools from the United States. These imports have increased markedly since the outbreak of war and every effort is being made to expedite such purchases.

Electric Power: Electric power supply has been increased in certain heavily industrialized areas. Highly important in this connection is an arrangement between Canada and the United States for utilization of additional water at Niagara for power development. Most of the additional hydro-electric capacity of the Niagara plants has in this way been put to use for war purposes. The industrialized areas of Ontario and Quebec have been on daylight saving time since the spring of 1940. This has saved a considerable quantity of electric power.

Oil: Canada is fifth among the oil-consuming countries of the world but produces only 15% of the oil she needs. Domestic production in Alberta has been considerably increased since the outbreak of war but the amount is still short even of Prairie Provinces requirements. As most of Canada's imported oil is brought in by tanker and many tankers have had to be diverted to Britain to replace tonnage lost in the Battle of the Atlantic, Canada has in recent months been faced with a reduction in oil imports and a consequent diminution of oil stocks in hand.

Several steps to conserve oil have been taken since June, 1940. In that month an order was issued curtailing the establishment of further service stations throughout the Dominion. In September the sale of oil for any equipment which previously utilized other fuel was

prohibited. In June, 1941, this measure was extended to include a ban on the installation of new oil-consuming equipment of any kind. From time to time steps have been taken to ensure the most efficient use of crude oil at refineries.

A further step in oil conservation—a request to Canadians to cut their consumption of oil and gasoline for ordinary civilian purposes by half—was made necessary by the supply situation outlined above and by the rapidly increasing demands for oil and gasoline by the Navy, Army, Air Force and war industries. In order to encourage this cut in consumption, the sale of gasoline and oil to motorists on Sundays, and at night (7 p.m. to 7 a.m.) on week days, has been prohibited. Credit cards may no longer be used by Canadians, though they may be used by American tourists, and a list of pointers on how to save gasoline and oil has been placed before the public.

Supplementing this move, an order was issued, effective August 25th, which sharply reduced gasoline and oil deliveries to retailers throughout Canada. The monthly amounts saleable are now 80% of the estimated normal requirements. This reduces the amounts available to automobile drivers and is, in effect, an informal system of rationing.

The new pipe-line from Portland, Maine, to Montreal is expected to relieve the oil situation to some extent, but it cannot be ready to make deliveries much before the end of the year.

Coal and Coke: Coal and coke are under the supervision of the Wartime Prices and Trade Board, and since December, 1939, the Canadian coal and coke trade has been required to operate under license. Canadian coal production has expanded considerably since the outbreak of war, and the Dominion has imported increasingly large amounts of both anthracite and bituminous coal. Although imports of anthracite from the British Isles were up to normal for a time, they have fallen off considerably in recent months; but imports of both anthracite and bituminous coal from the United States have very substantially increased, and Canadian coal supplies to-day are enormously greater than before the war. Nevertheless, consumption is heavy and every effort is being made to increase supplies to a maximum.

The supply of coke in Canada is by no means ample. In spite of an increase of about 1,000,000 tons in Canadian coke supplies during the past fiscal year, Canadians face a shortage of this fuel for civilian purposes. This has been caused by an increasingly heavy demand for coke by war and allied industries.

Steps have been taken from time to time to deal with the problem of transporting coal and coke by water and rail. A recent move in this direction was a request to Canadians to buy next winter's supply of coal early in order to avoid the usual fall rush on coal. This had to be prevented because of the enormous volume of war supplies being carried on Canadian railways.

Timber: Since early in the war the Timber Controller and the lumbering and woodworking interests have worked together to mobilize the Canadian timber trade in accordance with the Dominion's wartime economy and also to assist the British Timber Controller in securing supplies from Canada.

Enormous quantities of lumber were required during the first year of the war both here and overseas when factories, plant additions, and military, naval and air force projects were being built at great speed. The Government took steps to secure all lumber for its projects at the lowest possible prices. This was done, with the co-operation of the industry, by centralized buying. Later, the spring building programme of 1941, combined with the new needs of U.S. defence construction, created a demand for timber that amounted to boom proportions. This situation, complicated by other factors, caused rising prices. In May, 1941, therefore, the Timber Controller fixed retail prices for lumber and millwork at levels obtaining on April 1st, 1941. This did not apply to timber for export. The move has been very successful, and in spite of the fact that Canada is now consuming about 45% of her entire lumber output, prices have been maintained at a reasonable level. This has not only saved the country money but has prevented a hazardous situation from developing in the timber industry itself. In September, 1941, maximum prices for certain kinds of timber sold in certain localities in Canada were fixed.

Various other steps have been taken to ensure the most economical and efficient use of both Canadian and imported timber. Millions of dollars have been saved by

using less expensive woods for many purposes. This, too, has provided Canada with American exchange by making more high-grade timber available for export. U.S. dollars have also been conserved by the substitution of Canadian for American woods in Canadian construction where possible. In many instances it has been possible to substitute wood for steel, thus saving not only steel but also American dollars. Every effort has been made to increase Canadian production of hardwoods and imports of hardwoods from Empire countries—again in order to save U.S. dollars.

Steel and Iron: Steel has been under the supervision of a Controller since June, 1940. Since that time measures have been taken to stabilize prices. Canadian production of both steel and iron has been increased by stepping up the output of existing facilities and arranging for other sources of production. This has involved expanding the facilities of many plants, at Government expense in some cases.

Production of steel in Canada is to-day about 65% greater than the 1935-1938 average, and Canada now manufactures about two thirds of present steel requirements. Iron is being produced in increasing quantities. Pig iron production in 1940 was more than 50% greater than in 1939 and in the first six months of this year the output was about 14% greater than in the corresponding period of last year. Despite enlarged capacity, Canada must import substantial quantities of steel from sources outside the Dominion. Such imports must now be confined almost wholly to war requirements. Imports of iron and steel scrap have considerably increased.

Canadian industry is assisting the war effort by salvaging increasingly large amounts of iron and steel scrap. Crop ends, trimmings, defective ingots and castings, turnings, borings, discarded rails, scrapped automobiles, freight cars and locomotives, old machines and a variety of other types of scrap, are regularly being turned over to war factories. The extent to which this scrap has been utilized since the outbreak of war is shown by a Dominion Bureau of Statistics report showing the amount of scrap iron and steel used in Canada, 1924-1940. It indicates the following advances:

	<i>1939 over 1938</i>	<i>1940 over 1939</i>
	<i>% Increase</i>	<i>% Increase</i>
Scrap Iron and Steel used in Steel Furnaces....	26	72
Scrap Iron and Steel used in Iron Foundries...	9	40
Scrap Iron and Steel used in Manufacture of Ferro-Alloys.....	41	50
Scrap Iron and Steel used in Manufacture of Artificial Abrasives.....	6	60

Measures to conserve steel and iron have been taken. Other materials are being used wherever possible. Structural steel shapes have been standardized and reduced in number from 267 to 70. An informal system of priorities has been operated to ensure that essential undertakings have the steel they require. A Wartime Steel Advisory Committee has recently been appointed to protect the requirements of Canada's munitions industry. For some time all orders for pig iron have had to be approved by the Steel Controller, who approves them on the following priority basis: castings required for war work; castings required by transportation systems, mining and petroleum industries, and public utilities; castings for agricultural implements, and the pulp and paper and lumber industries; and castings not otherwise classified. Recently the use of rolled steel plate in the manufacture of cigarette containers was prohibited.

Metals, Minerals and Alloys: The following are among the important minerals which are under the supervision of the Metals Controller, who was appointed in July, 1940,—aluminum, nickel, gold, copper, zinc, cobalt, lead, molybdenum, chromium, tin, manganese, potash, tungsten, and magnesium. The first eight are available in quantity in Canada; the others have to be imported in greater or less degree to meet normal requirements.

Canadian mineral production has substantially increased since the outbreak of war.

In addition, imports of needed metals have been increased wherever possible. While exports of scarce metals are severely restricted, Canada's exports to Britain and the United States of those she produces in quantity, such as nickel and aluminum, have greatly increased.

The use of metals in Canada for non-war purposes has been curbed by agreements between the Metals Controller and industry. A variety of measures have been adopted, of which the following are important examples.

The first step in aluminum control was taken in August, 1940, when the use of aluminum for electrical conductors was banned. At the same time manufacturers of aluminum cooking utensils and foil rollers were notified that supplies of primary aluminum would not be available for those purposes. As of July 15th, 1941, control and curtailment were extended to secondary and scrap aluminum. There has as yet been no need to take any mandatory action in connection with prices for secondary or scrap aluminum. In the case of scrap, the producers and users of secondary aluminum in Canada are voluntarily adhering to the price schedule prevailing at the outbreak of war. Also, in co-operation with the Metals Controller, they have agreed to restrict the use of secondary aluminum as far as possible to essential war purposes. The use of aluminum powder is being strictly rationed for essential needs or for purposes where no substitute is practical.

The International Nickel Company of Canada is the only producer and distributor of primary nickel of Canada and prior to any official action, this company, in co-operation with the Metals Controller, took steps to exercise a measure of control in the domestic consumption of the metal.

Curtailment of domestic consumption of zinc was started in May 1941. As a first step, all exports of zinc die castings were stopped. Then representatives of all principal industries using zinc were called together by the Metals Controller and their co-operation was secured in bringing about domestic curtailment. In order to institute curtailment of zinc oxide in the rubber, paint and miscellaneous groups, thus saving zinc metal, the Metals Controller has formed a Zinc Oxide Committee which includes all principal producers and distributors of this product in Canada. This Committee meets regularly to allocate available supplies for most essential purposes.

The following table indicates the extent to which the use of aluminum, nickel and zinc is being restricted to essential undertakings:

	1940		Estimated 1941	
	<i>Essential</i>	<i>Non-Essential</i>	<i>Essential</i>	<i>Non-Essential</i>
	<i>Use</i>	<i>Use</i>	<i>Use</i>	<i>Use</i>
	%	%	%	%
Aluminum	73	27	98	2
Nickel	60	40	85	15
Zinc	36	64	75	25

Copper and tin are also being carefully conserved. The use of copper for making brass and for other commercial purposes is being restricted by a quota system. The tin content of metal containers for all products except a few specified foods, has been reduced by 10%.

Chemicals: Measures to assure a maximum supply of chemicals, constituents and intermediates have been taken from time to time. In July, 1941, a Chemicals Controller was appointed to supervise this work. Chlorine and ethylene glycol (used in making non-alcoholic anti-freezes for military vehicles) are among the chemicals now being controlled. Chemicals are in heavy demand and the problem of maintaining an adequate supply is one of those being dealt with most carefully at the present time.

Shipping: In addition to undertaking a \$200,000,000 merchant-ship-building programme, Canada has taken all possible steps to increase the number of ships available to Britain. This has been done in addition to carrying on her own essential water-borne trade. Besides all ocean-going merchant vessels which could be spared, a large number of Great Lakes vessels, a number of vessels of special type, such as salvage vessels, and a considerable number of tankers have been made available to Britain. Such arrangements as are possible are being made to transfer Canadian Lakes vessels to coastal work next winter, in order that coastal ships may be freed for deep-sea duties. All vessels taken in prize or requisitioned by the Canadian Government are being used to carry goods to Britain, with the exception of one which is unsuitable for such service.

Manning pools to provide groups of experienced merchant seamen at short notice will soon be established to facilitate merchant ship movements.

Canadian ship-repair facilities are being stepped up to a maximum to assure a rapid turn-around for merchant shipping and to provide quick repairs for ships of war. New drydocks are being built in important ports.

Silk: Early in August, 1941, an Order in Council was passed "freezing" all raw silk not required for the production of war materials. The move was made to conserve available supplies of silk, in view of the uncertainty of future shipments from abroad. A Government-owned company has been given control of silk supplies and matters relating thereto.

Rubber: Rubber is now subject to control. Consumption of crude rubber for domestic purposes, beginning this month, is to be reduced to 70% of the monthly average used in the year which ended May 31st last. The reduction is to be graduated and will become fully effective in February of next year.

Cork: Cork has also been placed under control.

"The Necessaries of Life": At the outbreak of war the Government took immediate steps to assure an adequate and continuous distribution of the necessities of life at reasonable prices, and to eliminate hoarding and profiteering. The Wartime Prices and Trade Board was established and endowed with powers permitting, where necessary, an adequate control of the production and distribution of the necessities of life. (The Board's wider powers, as described above, were assigned in August, 1941.)

During the first two years after its establishment, the Board investigated the distribution and sale of most important consumer commodities, including sugar, butter, tea, flour and feeds, bread, meat, canned goods, cod liver and other oils, cloth and clothing, hides and leather, wool, coal, and rents; and, with the help of Technical Advisers and Administrators, it endeavoured to forestall shortages wherever and whenever possible. In certain cases it was found necessary to fix prices for a time. But in most cases, the Board was able to prevent unjustified price increases by creating an enlightened and effective public opinion, and by taking all possible steps to ensure ample supplies. This work involved a great amount of detailed study and negotiation. Technical Advisers are experts in their own fields, but Administrators are chosen from outside the industry in question so that unbiased authority may be exercised.

The Board's efforts to secure enlightened and voluntary co-operation have been most outstanding in regard to prices. An interesting example of the Board's work in the price field is the administration of rent control in crowded centres. The Board "pegs" rents as of a certain date and provides both landlords and tenants with detailed information on rentals. For those who are unable to obtain satisfaction as a result of this instruction, courts operate to hear appeals. Recent advice issued to the public by the Board includes its "serve by conserving"

campaign, which urges householders, hotels, restaurants, shops, etc., to make the most economical use of perishable foodstuffs, animal fats, and other foods often allowed to go to waste.

The problem of ensuring ample supplies of the necessities of life is a very complicated one and various methods have been adopted in this matter. For example, a system of import and export licensing, combined with efforts to increase domestic production, has been used to conserve available supplies of fish livers and oils, hides and leather and wool. Again, Government purchasing, as in the cases of sugar and wool, has been carried out to assure adequate supplies at economical prices and to allow maximum co-operation with Britain in the use of shipping facilities. The problem of distribution has engaged the Board's attention and various measures to ensure the best possible transportation facilities and rates for essential products have been taken. Another task which the Board undertakes is the investigation of complaints of hoarding and profiteering. It takes corrective action where necessary.

The Board has at all times co-operated with the Food Supply and Shipping Controls in Britain. Several measures helpful to these offices have been taken since the outbreak of war.

The difficulties faced by the Board have been many. Depreciation of the Canadian dollar, disorganized shipping, tremendous increases in ocean freight rates and war insurance costs, and substantial increases in taxes on many commodities, have all affected the prices of certain essential products. Nevertheless, by careful planning and co-operation it has been possible to maintain an adequate and uninterrupted flow of the necessities of life on to the Canadian market.

The Board's powers, as stated above, now extend to all goods and services. Its first major move since obtaining its larger function has been to take steps to place under license Canada's entire food and clothing trade—all dealers, manufacturers, processors, wholesale and retail distributors of food products, clothing, and footwear, including all restaurants and eating places. In addition, all dealers in feeds for livestock and poultry will be required to operate under license. This licensing plan will provide the machinery for policing prices and for securing infor-

mation necessary for the allocation of supplies. Regional licensing offices are being established.

Supervising Agricultural Production in War Time

While prices of farm commodities are supervised by the Wartime Prices and Trade Board, the Dominion Department of Agriculture is in charge of food production in wartime. At the beginning of the war, the Department set up an Agricultural Supplies Board generally to direct production activity and to deal with other agricultural problems arising out of the war. It is the responsibility of the Agricultural Supplies Board and its collaborating provincial production committees to ensure that Canadian agriculture is conducted, during war-time, in a manner calculated to satisfy, as far as possible, the needs of Canada and of Britain for food and fibres.

The Board has acted as a central directive agency, attempting to guide production in the light of Canada's known needs and of British requirements as ascertained through constant telegraphic and, when the need arises, personal communication with the British authorities. Through special sub-committees, the Board assures supplies of fertilizers and pesticides needed in Canada; by Dominion-Provincial joint programmes production is undertaken in suitable areas of those field root and vegetable garden seeds ordinarily supplied in large measure by Europe; and by direct action, the Board controls the fibre flax industry in Canada to make sure that a maximum quantity of flax fibre and tow goes forward to the British Fibre Control, and that surplus fibre flax seed from Canada is made available to Northern Ireland.

To prevent dislocations in the agricultural industry, the Board has endeavoured to assist those branches of agriculture that, through the disappearance under war conditions of normal export outlets, have become war casualties.

Independent of the above Board, but working in close collaboration with it, are three Boards which purchase and forward supplies of Canadian farm products contracted for under agreements between the British Ministry of Food and the Canadian Government. The Bacon Board buys, stores and ships bacon and other pork products required by Britain, limiting, when necessary, supplies used in Canada in order to ensure that contract needs are

met. The Dairy Products Board acts in a similar capacity with respect to Canadian cheddar cheese needed by Britain, and takes such measures as will ensure needed supplies of other dairy products for Britain or for the domestic market. A Special Products Board, established in the spring of 1941, is responsible for purchasing and shipping to Britain certain Canadian farm produce, such as eggs and fruit and vegetable products, not already being handled by the two Boards mentioned immediately above.

An important wartime problem which the Department of Agriculture has dealt with is the surplus of wheat and the related problem of providing adequate supplies of feed for livestock at reasonable prices. As Canada has a large wheat surplus, the Government has instituted a policy of wheat acreage reduction. At the same time, more coarse grains are being grown. This policy, combined with moves to reduce the price of millfeeds and restrict their exportation, assists livestock production and thus provides more of the products Britain needs in greater quantity—cheese and pork products.

The Canadian Government pays about one quarter of the return to the producer on all cheese sold to Britain. Similar steps have been taken with respect to bacon and other pork products. The amount of such products available for domestic consumption has been reduced by about 25%; Canadian citizens have been asked to cut their consumption of pork meats drastically; such products are no longer to be exported to any country except Britain or British possessions; and the Government has undertaken as in the case of cheese, to pay a substantial share of the return to the producer.

"The history of the first two years of the war proves that an appeal to farmers in Canada is not necessary to obtain results in production. Even without the usually necessary inducements of high returns, farmers have produced as never before."

*Hon. J. G. Gardiner, Minister
of Agriculture.*

Government, Labour and the War

Labour Supply

Labour supply will ultimately be the most general and difficult shortage faced by Canadian war industry. Hence labour supply problems are receiving close attention from a number of agencies—the National Labour Supply Council, the Labour Co-ordination Committee and the Wartime Bureau of Technical Personnel.

The latter, which has a register of technically trained personnel, also encourages the transfer of experts from non-war to war work and the training of men for war jobs in the shops of established plants. Five of Canada's leading industrial groups (the mining, petroleum, public utilities, textile, and pulp and paper industries) are co-operating in this latter work. The War Emergency Training Programme is training thousands of previously unskilled workers in about 100 technical and plant schools throughout the country. So far 41,500 have been trained in technical schools; of these 23,903 are industrial workers and the rest have been trained for the armed forces. At least 40,000 have been trained in plant schools. About 100,000 workers are to be so trained during the course of this year.

It is estimated that about half the persons employed in manufacturing in the Dominion are now engaged more or less directly on production associated with wartime needs. Many thousands of women are now employed in factories which manufacture shells, ammunition, guns, airplanes and other war equipment. However, only about 60% of the man and woman power that will ultimately be required to carry out Canada's industrial war programme is now engaged in the production of munitions and war equipment. It is expected that war industries will draw increasingly on peace-time occupations during the coming months, and that more women not normally employed will be entering industrial or commercial work.

A precautionary measure giving the Government power to protect the supply of key workmen in Canadian war industry was taken recently when an Order in Council was passed extending the provisions of a previous order preventing employers from enticing to their service persons already engaged in war production. The new order gives the Government such powers as are necessary to keep in war industry persons in certain scarce or skilled trades.

This may be done by the establishment of a system of priorities operating through employment offices. Young men in industry who wish to enlist are released from their jobs if an independent Board considers they can be spared.

Labour Relations

The Government has taken several steps since the outbreak of war to encourage good relations between management and labour and to effect a satisfactory adjustment of wages to wartime conditions.

In November, 1939, the provisions of the Industrial Disputes Investigation Act were extended to cover disputes between employers and employees engaged in war work. This means, among other things, that a strike in a war industry is illegal if called before a conciliation board brings in its finding. In June, 1940, an Order in Council was passed enunciating certain principles for the avoidance of labour unrest during the war. In December, 1940, a wartime wage policy, taking the 1926-29 level as the norm and suggesting that any increases be in the form of wartime cost-of-living bonuses, was adopted. In June, 1941, an amendment to the Industrial Disputes Investigation Act was passed. Designed to ensure that conciliation board findings will be completely impartial, it prohibits the nomination to conciliation boards of persons who have pecuniary interest in one side or the other in a dispute or who have within six months acted as lawyer or paid agent for either side in the dispute. In June also the Government set up an Industrial Disputes Inquiry Commission to deal with labour trouble in its incipient stages and to determine whether or not a conciliation board is necessary. The Government has raised the minimum wages payable by manufacturers doing war work.

Early in July 1941, in accordance with the policy laid down in December, 1940, Government made known its approval of a cost-of-living bonus for about 3,000,000 workers in Canada. The bonus is based on a rise in the cost of living above the level of August, 1939, and is calculated at the rate of \$1.25 per worker per week for each five per cent rise in the cost-of-living index. The Order of December, 1940, (P.C. 7440) made provision for payment of a flat-rate bonus when it is found that the cost-of-living index of the Dominion Bureau of Statistics has risen at

least five per cent and thus impaired the power to purchase basic necessities of life. The cost-of-living bonus is intended to give labour a shield against the worst consequences of rising prices, without causing further rise in wages which would likely lead to inflation. It is in line with the Government's policy of curbing price increases, controlling rents and restricting profits.

Average money wage rates are higher to-day than they have ever been in Canadian history with one exception. In 1920 wages were about 2 per cent higher than to-day; but the cost of living was nearly 50% higher. Present-day conditions also compare favourably with 1929. Wage rates are about 4 per cent higher than in 1929 and the cost of living is about 5% lower.

The work of the Industrial Disputes Inquiry Commission indicates that the cost-of-living bonus policy is being successfully applied in war industries. In seven out of eight disputes recently settled by the Commission, management and labour accepted the principle of the cost-of-living bonus. Many other employers in Canada, including the Dominion Government, are paying the cost-of-living bonus.

On July 1st, unemployment insurance came into operation in Canada. It applies to some two and one-half million workers, who, with their dependents, total nearly one half the population of the country. The Plan is administered by a commission representing the three parties who contribute to the fund from which unemployment benefits will be paid; namely, workers, employers and the State. A worker's contribution ranges from twelve to thirty-six cents a week, depending on his earnings. Amount of benefit an unemployed worker receives and the length of time he receives it, are strictly related to the length of time he has contributed to the fund and the amount of his contribution. The contributions of workers and employers, running to millions of dollars annually, are, incidentally, of real assistance to the war effort.

In recent months the Government has found it necessary to take certain specific actions in labour disputes. In April, 1941, a Hamilton steel industry was firmly dealt with. A dispute between the management and the workers was referred to a conciliation board, as is required by law. However, the management refused to accept the majority finding of the board and the workers went on strike.

Without delay the Government, invoking the powers it possesses, sent in a controller to take over management of the plant. The next morning the plant was producing and the workers were back at their jobs. A strike which subsequently occurred in the same plant in July, 1941, was ended after negotiation with the Government.

In June, 1941, strong action was taken against strikers who were impeding war production. Under authority of the Industrial Disputes Investigation Act, summonses were issued on June 12th against a number of employees of the Canadian General Electric Company in Toronto. They were charged with participation in a strike which was illegal because it occurred before the dispute had been referred to a conciliation board. Convictions were registered on July 15th and the men were fined.

A five-day shut-down which occurred late in July, 1941, in the plant of the Aluminum Company of Canada, at Arvida, Quebec, led the Government to take further precautions against actions which impede war production. Under the War Measures Act an Order in Council was passed on July 29th, the day the shut-down ended, amending the Defence of Canada Regulations so that they now give the Minister of Munitions and Supply authority to request the Minister of National Defence to call out units of the Active Army to prevent or suppress riots, disturbances of the peace or other actions likely to impede or obstruct the production or delivery of munitions of war or supplies or the construction of defence projects. The new regulation provides for action without delay. The Minister may utilize the Royal Canadian Mounted Police; or if they and municipal and provincial police are insufficient, he may call upon the Active Army. These regulations do not prevent the calling of a legal strike in Canada.

But regulations now in force discourage strikes in war industries. If a dispute arises in a war industry, the parties must first refer their dispute to a conciliation board. No strike action may be taken until after the report of the board is released—and then only if a vote is taken under Department of Labour auspices and a majority of those eligible to vote are found to be in favour of a strike.

Canada's wartime labour record compares favourably with that of both Britain and the United States. This is indicated by the following table:

	<i>Britain</i>	<i>Canada</i>	<i>U.S.A.</i>
Time-loss per 1,000 workers in first six months of 1940.....	37	67	66
Time-loss per 1,000 workers in first six months of 1941.....	41	54	381

One of the most serious labour "bottle-necks" Canada has encountered since the outbreak of war—the "slow-down" of production in Cape Breton coal mines—has now been eliminated. The mines went back to full production late in September. As of October 1st, there were no strikes in Canadian war industries.

Industrial Security

The Government has taken steps, through the Division of Industrial Hygiene in the Department of Pensions and National Health, to improve and preserve the health of employees in war industry. Working conditions in defence plants are closely supervised. Advice on occupational hazards and disease is circulated to employers and employees. Workmen's Compensation Boards are supplied with information concerning new occupational diseases arising out of war manufacture. Laboratory research on occupational hazards is carried out.

An Industrial Security Branch of the Department of Munitions and Supply has recently been established to assist Canadian war industries in assuring that maximum protection is provided for their plants.

Transit

A transit controller has recently been appointed by the Department of Munitions and Supply. This is a precautionary measure directed primarily at congested traffic conditions in key war centres. The new controller has complete control over transportation facilities and power to establish schedules of fares. He may regulate the parking of vehicles. He is empowered to stagger working hours to relieve transportation congestion and may order any employer to arrange or alter the hours of employment of employees in order to assure that such proportions as the controller may fix will arrive at or depart from their places of employment at such times as may be directed.

Foreign Exchange Control

Canada's United States Dollar Problem

A supply of foreign exchange, particularly United States dollars, is vital to Canada's war programme. To help to ensure this supply and to perform other necessary functions, the Foreign Exchange Control Board was given the necessary powers at the beginning of the war.

Canada normally sells the Sterling resulting from her Empire trade in order to get American dollars to cover her trade deficit with the United States. But the war has made this procedure impractical. For Britain has needed most of her gold and American dollars for her own war purchases in the United States, and so has not been able to continue to convert Canadian Sterling credits into United States dollars. Moreover, since the beginning of the war, Britain has been able to settle only a fraction of her billion dollar trade deficit with Canada by transfer of gold; and since December of last year no gold has been transferred from Britain to Canada.

At the same time Canada's net deficit with the United States, on both current and capital account, has increased. In 1938, the last full year before the war, it was about \$115,000,000. In the year and a half between September 15th, 1939, and March 31st, 1941, it was about \$477,000,000. In the present fiscal year (April 1st, 1941, to March 31st, 1942) it will amount to about \$467,000,000, less whatever reduction is effected under the terms of the Hyde Park Declaration.

Thus, because of greatly increased war purchases in the United States, Canada, since the beginning of the war, has been faced with a widening differential between the amount of U.S. dollars she needs and the supply she is able to command. For, under the terms of the United States Neutrality Act, Canada's vast war purchases in the United States on her own account must be paid for in cash in United States dollars. And at the same time, because of the financial burden which the war has placed on Britain, the Dominion has been unable to make up her exchange deficit with the United States in the normal peace-time manner.

Conserving United States Dollars

Foreseeing this situation, the Canadian Government did the only thing possible. It took steps to conserve the American dollars in Canadian possession and to increase

that supply where possible. Canada has tried to avoid the accumulation of unliquidated obligations during the war which would only make it more difficult to do away with the control after the war. Instead, the Dominion has made every effort to meet her exchange shortages by making her own residents do without things which are not essential. Over a year ago Canada placed a special war-time tax on all imports except those paid for in Sterling. This has substantially reduced the purchase of non-essential imports. In July of 1940, Canada ceased to permit the sale of United States dollars to Canadians for pleasure travel abroad. It was a necessary choice of buying holidays or buying war supplies from the United States. The Government did not like to do this, but since a very substantial saving of exchange could be effected, it felt that the step was necessary. Finally, about the end of 1940, Canada took the more drastic step of prohibiting the importation of a long list of non-essential consumers' goods. For certain other major items gradual reductions in imports by Canadians were decreed. Such articles include automobiles, radios, cameras, electric fixtures, household appliances and scores of similar products.

Foreign exchange provided in these and other miscellaneous ways, substantially add to the normal supply accruing from the export and tourist trades and help to provide Canada with a pool out of which she may pay for imports, service Canada's debt payable in foreign currencies and cover other necessary external disbursements. In order that Canada may continue to purchase goods in the United States on a scale commensurate with the demands of her war program, it has been necessary to continue the methods for conserving foreign exchange outlined above, even though the Hyde Park Declaration has established a principle which, it is expected, will result in an easing of Canada's foreign exchange position.

For this reason, among others, Canada this year is especially anxious to attract American tourists to the Dominion. Americans can visit Canada and return without difficulty. They are assured of unique vacation facilities, will enjoy a 10% premium on their money and will have the satisfaction of knowing that every American dollar they spend in Canada will go back to the United States to purchase war supplies for the Canadian armed forces.

Other Foreign Exchange Control Measures

The Foreign Exchange Control Board exerts other war-time controls which bring needed United States dollars to Canada. It has also taken steps to stabilize the Canadian dollar, a condition which is vital to Canadian trade, and to prevent disorderly marketing of securities or an outflow of capital from Canada—developments which usually threaten a nation engaged in war. All these measures have been indispensable to the economic stability of Canada and to the efficiency of her war effort.

FINANCIAL UNDERTAKINGS

Wartime Financial Policy

The main lines of Canada's financial policy during the war have been, first, to pay as much as possible of the costs of war from taxation; secondly, to impose this increased taxation in accordance with ability to pay; thirdly, to avoid inflation; and, fourthly, to time financial action in such a way as to encourage a rapid expansion of production to the maximum.

War Spending

In the first two years of the war Canadians spent a total of about \$2,183,000,000 on their own war effort and on aid to Britain.

Canada's total war spending in the current fiscal year (April 1st, 1941, to March 31st, 1942) has been estimated to be about \$2,350,000,000, the exact amount depending on as yet undeterminable factors. This is about 40 per cent of the total estimated national income of less than \$6,000,000,000. It amounts to considerably more than Canada's total war expenditure during more than four years of the last Great War and represents an annual disbursement of about \$200 for every man, woman and child in the Dominion.

When war expenditures are added to the ordinary expenses of all Canadian governments, federal, provincial and municipal, Canadian citizens this year will have to give up about fifty cents of every dollar earned to foot the bill. The Dominion Government alone is spending about five times as much this fiscal year as it spent in the last full fiscal year before the war.

Canada's direct war spending has increased steadily and momentarily. In the first two years of the conflict the Dominion spent approximately \$1,278,000,000 on her own war activities. Since June, expenditure has been running at the rate of nearly \$4,000,000 a day—about five times as fast as during the first six months of the war. It is expected that direct war expenditure in the current fiscal year (April 1st, 1941, to March 31st, 1942) will be approximately \$1,450,000,000—nearly twice as much as the amount spent in the previous fiscal year.

In addition to this direct expenditure on her own war requirements, Canada spent \$905,000,000 in the first two years of the war to provide Britain with Canadian dollars. (See also page 28). The net amount which Canada expects to provide for this purpose in the present fiscal year, which ends on March 31st, 1942, amounts to at least \$900,000,000, the bulk of the Canadian dollars Britain will need.

War Taxes

This fiscal year the Dominion Government is collecting about three times as much in taxes as it collected in the last full fiscal year before the war.

Pre-war taxes have been increased and new taxes imposed. The following figures indicate the increase in tax revenue since the outbreak of war.

Total Revenue from Taxes

<i>1939-40 Fiscal Year</i>	<i>Estimated for 1940-41 Fiscal Year</i>	<i>Budgeted, 1941-42, for Full Fiscal Year</i>
\$468,271,000	\$778,290,000	\$1,369,310,000

Direct taxes of all kinds will raise more than five times as much this fiscal year as they did in the last full fiscal year before the war. Income tax rates were raised in June, 1940, and again in April, 1941. The graduated rates now begin at 15%, compared with 3% before the war. Exemptions have been lowered as well. In June, 1940, a National Defence Tax was imposed on practically everyone receiving salary or wages. The rates were 2% for a married person and 3% for a single person. In July, 1941, these were raised to 5% and 7% respectively. The combined effect of these moves has been to increase the amount of tax on personal income and the number of persons paying income tax very considerably. Five times as many people as before the war now pay income taxes of all kinds, and

married persons with incomes of from \$3,000 to \$10,000 pay from 11 to 4 times as much income tax as before the war.

A table showing how income tax has increased in the past year because of war is on page 4.

Immediately after the outbreak of war in September, 1939, an excess profits tax was announced. The operation of this tax, combined with increases in corporation taxes, have now advanced the minimum rate of corporation tax to 40%. This is a very much higher rate than that prevailing before the war. Increase in corporate profits over the standard pre-war rates are subject to a tax of 79½%. This is about the same rate as that now in force in Britain. This tax ensures that if any company does increase its profits because of war conditions, the Dominion Treasury will derive nearly all the benefits.

Another measure to increase direct tax revenue which has been imposed since the outbreak of war, is the levying of a Dominion Government succession duty, in addition to the succession duties already imposed by the Provinces.

In order to spread the tax load as fairly as possible through all sections of the country, an arrangement is being worked out with the Provinces which will centralize income and corporation tax collections.

The extent to which all these moves have increased direct tax revenue is indicated by the following figures.

Total Revenue from Direct Taxes

<i>1939-40 Fiscal Year</i>	<i>Estimated for 1940-41 Fiscal Year</i>	<i>Budgeted, 1941-42 for Full Fiscal Year</i>
\$136,910,000	\$274,690,000	\$732,000,000

Before the war the Dominion Government secured indirect tax revenue from customs duties and a sales tax on a variety of commodities and also from excise taxes on automobiles, tires and tubes, liquor, beer and malt, wine, cigarettes, cigars, tobacco, matches and cigarette lighters, playing cards, cosmetics and toilet preparations, sugar, glucose and corn syrup, and long-distance telephone calls.

These taxes, with the exception of the sales tax, have been substantially increased since the outbreak of war. Increases in customs duties have also been effected. More than a year ago a war exchange tax was placed on a wide variety of imports, including automobiles and scores of durable consumer's goods. This tax now applies to a very wide assortment of "non-essential" imports.

In addition to increases in existing indirect taxes, new taxes have been imposed since the outbreak of war on the following—radios, cameras, phonographs, vacuum cleaners, washing machines, electric toasters and other household appliances, soft drinks, gasoline, travel fares on trains, buses and airplanes, entertainment such as movies, concerts, sports events, horse racing, etc., and race track bets.

Indirect taxes now raise about twice as much revenue as they did before the war. The following figures indicate the steady rise in indirect tax revenue in the last two years:

Total Revenue from Indirect Taxes

<i>1939-40 Fiscal Year</i>	<i>Estimated for 1940-41 Fiscal Year</i>	<i>Budgeted, 1941-42 for Full Fiscal Year</i>
\$331,361,000	\$503,600,000	\$637,310,000

War Loans and Savings

Since the outbreak of war the Dominion Government has borrowed about \$1,470,000,000 from the public and from domestic financial institutions other than banks. This money has been raised by the floating of three war loans and by the issue of war savings and non-interest-bearing certificates to the public. The war loans have provided the Government with more than \$1,200,000,000 in new money and about \$171,000,000 in conversions.

All three war loans have been oversubscribed. The recent 1941 Victory Loan, nominally for \$600,000,000, raised \$711,000,000 in cash subscriptions. This is more than the amount invested in the 1918 Victory Loan, Canada's largest loan during the last war. Including conversions, the total raised was \$807,000,000. The Government has accepted the whole of the oversubscription. The Loan was remarkable for the number of small investors who bought bonds. About one in every thirteen Canadians, including men, women and children, subscribed to the Loan. Interest on Government bonds has been held at a low rate, and there are no tax-free war bonds.

At the end of September, applications for war savings certificates amounted to about \$88,000,000, and more than \$7,000,000 had been invested in non-interest-bearing

certificates. War savings certificates have a face value of from \$5 to \$100 and may be purchased by the accumulation of 25c war savings stamps.

The Government expects in the present fiscal year to receive about \$200,000,000, in return for war savings certificates and in other forms of citizens' savings.

The amount of bank borrowing by the Dominion Government has been cautiously limited.

The "Pay-As-You-Go" Policy

The total amount which the Federal Government will have to raise for war and ordinary purposes in the present fiscal year is estimated to be about \$2,820,000,000. Of this amount taxes and non-tax revenue will provide about \$1,500,000,000, in the actual fiscal year ending March 31, 1942, about \$100,000,000 more than was estimated in the budget, brought down late in April, 1941.

The following table summarizes estimated revenue and expenditure in the current fiscal year in round figures:

	<i>Expenditure</i>	<i>%</i>
Total.....	\$2,820,000,000	100
Total War Expenditure.....	\$2,350,000,000	83
Direct war.....	\$1,450,000,000	51
For Britain.....	\$ 900,000,000	32
Ordinary Expenditure.....	\$ 470,000,000	17

	<i>Revenue</i>	<i>%</i>
Total Needed.....	\$2,820,000,000	100
Estimated Revenue.....	\$1,500,000,000	53
To be met by funds borrowed from people.....	\$1,320,000,000	47

In estimating the extent to which the Government is adhering to a "pay-as-you-go" policy, it should be remembered, however, that funds advanced by Canadians to Britain now are covered by the accumulation of Sterling balances; and repatriation, while it must be paid for now by Canadians, is not a drain on capital. Direct war and ordinary expenditures will total about \$1,920,000,000; revenue will be about \$1,500,000,000. On this basis, the 1941-42 budget provides for the payment of about 78% of total federal expenditures (including ordinary disbursements and expenditure on Canada's own war programme out of revenue. Revenue will cover expenditures on Canada's own war programme.

War Economies

The War Expenditures Committee of the House of Commons, composed of members from both the Government and the Opposition sides, is charged with the duty of examining war expenditures. It has recommended several economy measures, some of which have now been carried out. The Chairman of the War Expenditures Committee has succinctly expressed the aim both of the Committee and of the Parliament it serves: "A dollar's worth of war effort for every dollar spent."

VOLUNTARY CONTRIBUTIONS AND SERVICES

(See also page 29)

Contributions

Canadians have contributed more than \$27,000,000 to war charities since the outbreak of war. Of this sum many millions have provided comforts and war equipment for Britain. The Canadian War Services Fund combining the major charities devoted to the welfare of the fighting forces, will ask for about \$17,000,000 more in its next campaign. These organizations, in addition to their work in Britain, provide comforts and services for the troops in Canada. A total of 2,008 organizations are now registered with the War Charities Administrator, one of whose functions is to see that no war benefit operates with an overhead of more than 25%.

Thousands of Canadians and a large number of Americans have sent nearly \$2,000,000 to the Canadian Government as "free gifts" to help the war effort.

Services

Thousands of Canadians are engaged in voluntary war work. Air Raid Precautions services have been organized in many communities and thousands of Wardens are now being trained. The services of many "dollar-a-year" men have been offered to and accepted by the Government. They occupy key positions in Canada's war machine. Many scientists and technical experts have placed their skill and knowledge at the disposal of the government. More than ten per cent of the registered medical doctors

in Canada are now on active service with the armed forces. Hundreds of qualified nurses are also serving with the forces and a large number are overseas. Newspapermen, university professors, and many others, both prominent and obscure, have come to the aid of their country in the ways best suited to their talents and connections. The Canadian Manufacturers' Association, the Chambers of Commerce, the Boards of Trade, and the Service Clubs, such as Rotary, Kiwanis and Lions, play their part in the war effort.

Women of Canada, in all parts of the country, in their homes, organizations, clubs and churches have devoted themselves to providing clothing and other material for the comfort of civilians and combatants in the war zones and for Canada's armed forces.

Young women's organizations have increased rapidly in number and in strength. It is estimated that more than 10,000 Canadian women now wear the uniforms of volunteer organizations. More than 1,000 women are serving with the Canadian Red Cross Transport Service. With their associated services—the nursing service and the office and food administration—they comprise the Canadian Red Cross Corps of some 3,800 members throughout the country. The Corps is affiliated with the Royal Canadian Army Medical Corps.

Canadian children are also playing their part. Junior branches of the Canadian Red Cross throughout the country have raised thousands of dollars for patriotic purposes and have sent thousands of articles overseas. Thousands of boys and girls and young women were placed on farms during the summer months to replace men who joined the armed forces. Boys and girls throughout the country have enthusiastically gathered salvable materials and purchased war savings certificates.

Canadian homes and schools are taking care of 6,000 children evacuated from Britain to Canada. It is estimated that 100,000 would have been accommodated, had circumstances allowed this.

A special nation-wide drive to obtain used aluminum articles from Canadian households takes place this month. Actually salvage of aluminum and other waste materials has been going on in many parts of Canada for more than a year. These pioneer efforts were officially recognized in April, 1941, when a National Salvage Campaign was

launched by the Dominion Department of National War Services. It has now increased the number of centres taking part to over 2,400. Men, housewives, school children and farmers have been informed by leaflets, posters and press notices of how they can best help. A variety of collection methods has been adopted and extraordinary success has been achieved in many centres. Materials being salvaged include aluminum, copper, brass, and other metals, scrap iron and steel, carpets, woollens, mixed rags, bottles and glass, old tires, old shoes, bagging, string, cork, rubber, oils and fats, waste paper, newspapers and magazines. The salvage campaign is now being expanded and is receiving the support of the controllers of essential materials.

CANADA, THE UNITED STATES AND THE WAR

(See also pages 61-63)

"As Canadians, we are proud of our great and good neighbour and grateful to know, as all the world knows, that she is with us heart and soul; that her genius, her skill and her strength work against time for those who fight for freedom."

Prime Minister Mackenzie King in a speech to the Canadian Organizations of New York City, June 17th, 1941.

Economic Co-operation

Without access to many United States products essential to war manufacture, Canada's war programme could not have progressed as far as it has to-day. Canada buys many essential war materials and machine tools in the United States, and since the outbreak of hostilities has bought them in increasing quantities. In spite of a reduction in the amount of "non-essential" commodities coming to Canada from the United States, Canada's imports from that country have increased greatly since the outbreak of war. In 1938 they were valued at \$425,000,000; in 1939, in September of which year the war began, they rose to \$497,000,000; and in 1940 they soared to \$744,000,000. In the present fiscal year (April 1st, 1941, to March 31st, 1942) they are expected to reach \$953,000,000, of which at least \$428,000,000 will be for war purchases. At the same time it has been estimated that Canada's exports to the

United States this fiscal year would run, under normal trade arrangements, to \$475,000,000—which would leave Canada with a trade deficit with the United States of about \$478,000,000.

The Hyde Park Declaration

The Hyde Park Declaration has established a principle which, it is expected, will reduce this deficit and assist Canada to maintain and increase her war purchases in the United States. As a result of the agreement, it is expected that Canada will be able to sell to the United States additional defence materials and some articles of war to the value of between \$200,000,000 and \$300,000,000 during the twelve months ending April next year. In addition, the United States is to lend-lease to Britain materials and parts to be shipped to Canada as components in Canadian production for Britain. Canada, herself, is not obtaining supplies from the United States under the lend-lease plan, but is paying cash in American dollars for everything which she purchases in the United States on her own account.

Canadian Exports to United States Increase

Canada has increased her exports of essential raw materials to the United States in the two years since the outbreak of war. Nickel, aluminum, other non-ferrous metals, non-metallic minerals, timber, pulpwood, pulp and news-print have been among the commodities flowing in increasing volume from the Dominion to the Republic. Since the Hyde Park Declaration was issued, arrangements have been made to increase purchases of war materials from Canada by the United States, and, in addition, certain war equipment which Canada produces in substantial quantities.

War equipment which Canada is able to export to the United States includes certain types of small arms, some guns and ammunition, certain explosives and chemicals, certain armed fighting vehicles, corvettes and mine-sweepers, aluminum and other metals and materials. There are also some types of clothing and textiles, leather, rubber and timber products and various secret devices in which Canada could probably make an important contribution if these were desired.

Canada Must Still Conserve United States Dollars

The Hyde Park Declaration, though a magnificent contribution to the common struggle in which Canada and the United States are engaged, does not remove the need for the conservation of United States dollars, as outlined on pages 61-63. The most reasonable estimate of the magnitude of the Hyde Park Declaration's effect on Canada's supply of American dollars still leaves a considerable deficit in Canada's balance of payments with the United States.

Because of this situation the Canadian Government has reluctantly decided not to release funds for travel in the United States by Canadians for other than business, health, educational or other urgent reasons. As heretofore, of course, any Canadian can visit American relatives or friends who provide the United States funds for the purpose.

A Sound Canadian Economy Benefits Americans

Because the American and Canadian economies are very closely joined, Canada's efforts, under the stress of war, to preserve a sound financial position, have been of real benefit to Americans. Measures to safeguard the Canadian economy have protected the \$4,000,000,000 which Americans have invested in Canada. Although it has been necessary to restrict the movement of capital out of Canada, Americans are allowed to withdraw, at the full official rates of exchange, all forms of current income from Canada. During the present fiscal year (April 1st, 1941, to March 31st, 1942) Canada will pay an estimated \$238,000,000 in interest and dividends to United States investors. The attractiveness of Canada as a field of investment has not been impaired by the war, and millions of American dollars have been invested in the Dominion since the outbreak.

Further Significance of Hyde Park Declaration

The Hyde Park Declaration has a significance over and beyond its financial importance to Canada. The net result of the Declaration, it is expected, will be that the United States and Canada, each concentrating on the materials of war which it can produce best and most quickly, will become one strong team, working and pro-

ducing according to a carefully planned programme which will ensure the most rapid possible supply of war materials to Britain and her embattled allies and the most efficient provision of defence articles for North America.

Discussions on Economic Co-operation

The Material Co-ordination Committee of the United States and Canada has been appointed and has had several meetings. It consists of two United States and two Canadian representatives, all government officials and experts in their fields, whose task is to collect and exchange information on raw material supplies of the United States and Canada, in order that all sources may be made known to those responsible for war production.

Canada and the United States have established joint committees of inquiry to "explore the possibility of a greater degree of economic co-operation" between the two countries. The committees, which are known as the Joint Economic Committees, "have been instructed to study and to report to their respective governments on the possibilities of: (1) effecting a more economic, more efficient and more co-ordinated utilization of the combined resources of the two countries in the production of defence requirements (to the extent that this is not now being done); and (2) reducing the probable post-war economic dislocation consequent upon the changes which the economy in each country is presently undergoing. The Committees have met both in Washington and in Ottawa and discussed, among other matters, arrangements to increase Canada's exports of war equipment to the United States, shipping, priorities, civilian consumption restrictions, other war-time problems common to the two countries, and post-war questions.

The close attention which the problem of integration is receiving from these committees and from other officials, augurs well for the success of a continental supply policy.

Instances of Economic Co-operation

One instance of this integration is the setting up of an informal joint committee of Canada and the United States to assure that facilities and supplies are used to the best possible advantage to meet the present heavy demands for chemicals and explosives.

The United States and Canada have co-operated in several specific measures which are advantageous to the defence of this continent and to Canada's war effort. In November, 1940, the Canadian and American governments arrived at an understanding which allows the construction of armed naval vessels on the Great Lakes. This allows both Canadian and American shipyards in this area to throw the full weight of their productive capacity into naval work. The construction of armed naval vessels on the Great Lakes had been virtually prohibited by the Rush-Bagot Agreement of 1817.

In March, 1941, representatives of the United States and Canadian Governments signed an agreement to construct the St. Lawrence waterway. The agreement is subject to the approval of the United States Congress and of the Canadian Parliament. If the waterway is undertaken, it will provide both the United States and Canada with large supplies of additional water-power for defence industries and will make possible the construction of large ships in Great Lakes yards.

Canada is co-operating with the United States in using a maximum of water-power at Niagara for defence purposes. By exchange of notes on May 20th, 1941, between the Canadian Minister to the United States and the Secretary of State of the United States, arrangements were made for the immediate utilization of additional water at Niagara for power development. In this manner, most of the additional Hydro electric capacity of the Niagara plants was put to work for defence purposes and it was made possible to increase the production of vital war materials for both countries and also for Britain. The agreement embodied in this exchange is of a temporary character and is subject to important restrictions.

During 1941 the Canadian Shipping Board has been able to make a few ships available to assist in the movement of American ore on the Great Lakes. This has been done when it has been possible to spare ships from the Canadian Great Lakes fleet, which, already reduced by the transfer of a large number of vessels to British services, is fully engaged in a number of ways. It is carrying ore and coal for Canada's own defence industries, moving grain for export to Britain and carrying certain other important commodities largely or entirely dependent upon water transportation by reason of the fact that no railway facilities serve production centres.

Various steps in respect to shipping taken from time to time by the United States Government have been of great assistance to Canada's economic war effort. One of these is the United States Ship Warrant Scheme recently introduced whereby all vessels touching United States ports are required to have a ship warrant issued by the United States Maritime Commission. Before receiving a ship warrant the owners of a vessel are required to give the Commission certain undertakings as to the employment of their vessels. This will greatly strengthen the similar control which is already in effect throughout the British Commonwealth and which is designed to ensure that all shipping contributes as effectively as possible to the common defence effort.

Canada and Western Hemisphere Defence

"Remoteness from the immediate scene of conflict has ceased to be a safeguard for men and nations that cherish their freedom."

Prime Minister Mackenzie King.

"The war is approaching the brink of the western hemisphere itself. It is coming very close to home."

President Roosevelt.

When Canada went to war two years ago she took immediate steps to ensure the defence of her territory and, subsequently, of key points in the western hemisphere. Since the Ogdensburg Agreement of August, 1940, these defensive measures have been co-ordinated with those undertaken by the United States and the two countries have now worked out joint plans for the defence of their part of the western hemisphere. Both Canadian coasts are constantly guarded by large concentrations of troops and by coastal and anti-aircraft guns located at strategic points, as well as by naval and air patrols operating along 2,000 miles of coast line and far out to sea. In the west Canada is building a string of staging airdromes to that military planes from both Canadian and United States centres can be moved into northern British Columbia and Alaska without delay. In the east, United States troops have replaced Canadian forces in Iceland, and they have joined Canadian troops in Newfoundland where the two countries are building extensive defence facilities. Canada

and the United States are in full agreement concerning defence measures in Greenland. Both United States and Canadian troops stand guard in the West Indies. At sea both the Canadian and United States navies are on guard against marauding submarines.

Civilian defence and A. R. P. units are organized in many parts of Canada and blackout practices have been held in several cities. The Army and the Royal Canadian Mounted Police guard vital points and operate to prevent fifth column activities and sabotage.

Americans in the Canadian Armed Forces

A direct and striking American contribution to Canada's war effort is the arrival in Canada of American volunteers for the Canadian armed forces. About 8% of the air crew trained or in training in the R.C.A.F. are Americans and 600 American fliers are acting as instructors for the Air Training Plan. Americans in the R.C.A.F. now wear a distinguishing badge "U.S.A." on the shoulder. Nearly 10,000 Americans are serving with the Canadian Army. Many of these airmen and soldiers have already gone overseas. Americans and Canadians to-day fly together in the R.A.F. and the American "Eagle" squadrons often fly with R.C.A.F. Squadrons.

While the Canadian Government has made no effort to enlist United States citizens, it has ruled for the convenience of those who come to Canada to volunteer, that persons who, by taking the usual oath of allegiance to the British Crown, would thereby lose their nationality, do not have to do so if they wish to enlist in Canada and are otherwise acceptable to the Canadian authorities.

CANADA "LEND-LEASES" TO BRITAIN



During the first two years of the war, apart from British goods sent to Canada, Britain needed more than a billion dollars to cover her purchases in the Dominion.

Britain paid less than a quarter of this sum in gold, but Canada had to send more gold than this to the United States in order to fill her British orders. Canadians supplied the rest—\$905,000,000.

During the present fiscal year (April 1st, 1941, to March 31st, 1942,) Canada will export goods and war equipment to Britain to the value of \$1,500,000,000. Canadians will provide Britain with the bulk of this money.

The Dominion, it is clear, is not demanding "cash on the barrel-head" for her aid to Britain.

CANADA PAYS CASH FOR AMERICAN SUPPLIES



Canada has bought increasingly large amounts of war supplies in the United States. In 1939 her imports from the United States were valued at \$497,000,000. In 1940 they soared to \$744,000,000. In the present fiscal year (April 1st, 1941, to March 31st, 1942) they are expected to reach \$953,000,000. Of this amount at least \$428,000,000 will be spent on war supplies, some of which will be materials and parts to be manufactured in Canada for Britain. The latter are being transferred to Britain under the lend-lease plan via Canada. But Canada, herself, is not obtaining supplies under the plan. She pays cash for her own purchases in the United States.

CANADA SENDS TROOPS OVERSEAS



Canada has sent more than 100,000 volunteer soldiers, sailors and airmen overseas. By the end of this year Canada will have four army divisions, one of them armoured, and a tank brigade overseas; the number of Canadian airmen overseas will be equal to a division of infantry; and Canadian naval vessels will play, as now, an increasingly effective part in the war at sea.

CANADA DRAFTS MEN FOR HOME DEFENCE



Canada is now drafting single men 21 to 24 years of age for home defence for as long during the duration of the war as the Government requires them. During their period of four months' basic training they are given an opportunity to volunteer for service anywhere with the Navy, Army or Air Force. Of those who have so far been drafted, a large number have volunteered. The rest are being posted to the Active Army on Home Defence for full-time service. Postponements have been granted to key workers in war industries, and in a few other cases where it was in the public interest to do so.

Thus, single men aged 21 to 24 are being called for full-time service with the armed forces at home, or abroad if they volunteer for such duty. By law, all single men aged 19 to 45 are liable to be so called.

SOME OF THE WAR'S EFFECTS ON CANADIAN CIVILIANS



They—pay three times as much in taxes as they did before the war

- have loaned the Government since the outbreak of war a sum of money equal to the total to be collected in taxes during the present fiscal year
- are voluntarily contributing millions of dollars to war charities
- face 12.8% rise in the cost of living since the outbreak of war
- can get no new models in automobiles, radios, etc., till the end of the war
- will have less than half as many new automobiles on the market in 1942
- have had domestic production of radios, washing machines, vacuum cleaners, stoves and refrigerators cut by 25%
- can get only very limited supplies for “non-essential” purposes of machine tools and of essential materials such as iron, steel, aluminum, nickel, zinc, copper, tin, rubber, silk, cork and certain chemicals.
- cannot buy gasoline or motor oil on Sundays or between 7 p.m. and 7 a.m. on week days
- can erect no new building or additions costing more than a fixed amount unless they are approved as necessary
- can purchase only a few “non-essential” products from the United States, in order that war materials and equipment may be brought there in increasing quantities
- cannot get funds to travel in the United States, except for urgent reasons
- cannot hold foreign exchange
- cannot export capital
- have been asked to eat less of certain foods in order that more may be sent to Britain
- are being urged to save all salvable waste material and to conserve perishable food-stuffs.

